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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 866

[Docket No. FDA-2026-N-4274]

Medical Devices; Immunology and Microbiology Devices; Classification of the Device To Detect and Identify Microorganism Nucleic Acids and Resistance Markers From Patients With Suspected Orthopedic Infection

AGENCY: Food and Drug Administration, HHS.

ACTION: Final amendment; final order.

SUMMARY: The Food and Drug Administration (FDA) is classifying the device to detect and identify microorganism nucleic acids and resistance markers from patients with suspected orthopedic infection into class II (special controls). The special controls that apply to the device type are identified in this order and will be part of the codified language for classification of the device to detect and identify microorganism nucleic acids and resistance markers from patients with suspected orthopedic infection. We are taking this action because we have determined that classifying the device into class II will provide a reasonable assurance of safety and effectiveness of the device. We believe this action will also enhance patients' access to beneficial innovative devices, in part by reducing regulatory burdens.

DATES: This order is effective May 12, 2026. The classification was applicable on April 29, 2022.

FOR FURTHER INFORMATION CONTACT: Bryan Grabias, Center for Devices and Radiological Health, Food and Drug Administration, 10903 New Hampshire Ave., Bldg. 66, Rm. 3204, Silver Spring, MD 20993-0002, 240-402-9563, Bryan.Grabias@fda.hhs.gov.

SUPPLEMENTARY INFORMATION:

I. Background

Upon request, FDA (the Agency or we) has classified the device to detect and identify microorganism nucleic acids and resistance markers from patients with suspected orthopedic infection into class II (special controls), which we have determined will provide a reasonable assurance of safety and effectiveness of the device. In addition, we believe this action will enhance patients' access to beneficial innovation, in part by reducing regulatory burdens by placing the device into a lower device class than the automatic class III assignment.

The automatic assignment of class III occurs by operation of law and without any action by FDA, regardless of the level of risk posed by the new device. Any device that was not in commercial distribution before May 28, 1976, is automatically classified into, and remains within, class III and requires premarket approval unless and until FDA takes an action to classify or reclassify the device (21 U.S.C. 360c(f)(1)). We refer to these devices as "postamendments devices" because they were not in commercial distribution prior to the date of enactment of the Medical Device Amendments of 1976, which amended the Federal Food, Drug, and Cosmetic Act (FD&C Act).

FDA may take a variety of actions in appropriate circumstances to classify or reclassify a device into class I or II. We may issue an order finding a new device to be substantially equivalent under section 513(i) of the FD&C Act (21 U.S.C. 360c(i)) to a predicate device that does not require premarket approval. We determine whether a new device is substantially equivalent to a predicate device by means of the procedures for premarket notification under section 510(k) of the FD&C Act (21 U.S.C. 360(k)) and part 807 (21 CFR part 807).

FDA may also classify a device through "De Novo" classification, a common name for the process authorized under section 513(f)(2) of the FD&C Act (see also part 860, subpart D (21 CFR part 860, subpart D)). Section 207 of the Food and Drug Administration Modernization Act of 1997 (Pub. L. 105-115) established the first procedure for De Novo classification. Section 607 of the Food and Drug Administration Safety and Innovation Act (Pub. L. 112-144)

modified the De Novo classification process by adding a second procedure. A device sponsor may utilize either procedure for De Novo classification.

Under the first procedure, the person submits a premarket notification (510(k)) for a device that has not previously been classified. After receiving an order from FDA classifying the device into class III under section 513(f)(1) of the FD&C Act, the person then requests a classification under section 513(f)(2).

Under the second procedure, rather than first submitting a 510(k) and then a request for classification, if the person determines that there is no legally marketed device upon which to base a determination of substantial equivalence, that person requests a classification under section 513(f)(2) of the FD&C Act.

Under either procedure for De Novo classification, FDA is required to classify the device by written order within 120 days. The classification will be according to the criteria under section 513(a)(1) of the FD&C Act. Although the device was automatically placed within class III, the De Novo classification is considered to be the initial classification of the device.

We believe this De Novo classification will enhance patients' access to beneficial innovation, in part by reducing regulatory burdens. When FDA classifies a device into class I or II via the De Novo process, the device can serve as a predicate for future devices of that type, including for 510(k)s (see section 513(f)(2)(B)(i) of the FD&C Act). As a result, other device sponsors do not have to submit a De Novo request or premarket approval application to market a substantially equivalent device (see section 513(i) of the FD&C Act, defining "substantial equivalence"). Instead, sponsors can use the less burdensome 510(k) process, when necessary, to market their device.

II. De Novo Classification

On October 27, 2020, FDA received BioFire Diagnostics, LLC's request for De Novo classification of the BioFire Joint Infection (JI) Panel. FDA reviewed the request in order to classify the device under the criteria for classification set forth in section 513(a)(1) of the FD&C Act.

We classify devices into class II if general controls by themselves are insufficient to provide reasonable assurance of safety and effectiveness of the device, but there is sufficient information to establish special controls that, in combination with the general controls, provide reasonable assurance of the safety and effectiveness of the device for its intended use (see section 513(a)(1)(B) of the FD&C Act). After review of the information submitted in the request, we determined that the device can be classified into class II with the establishment of special controls. FDA has determined that these special controls, in addition to the

general controls, will provide reasonable assurance of the safety and effectiveness of the device. Therefore, on April 29, 2022, FDA issued an order to the requester classifying the device into class II. In this final order, FDA is codifying the classification of the device by adding 21 CFR 866.3988.¹ We have named the generic type of device “device to detect and identify microorganism nucleic acids and resistance markers from patients with suspected orthopedic infection,” and it is identified as a qualitative in vitro device intended to simultaneously detect and identify microorganism nucleic acids from

human clinical specimens collected from patients with suspected orthopedic infection. The device detects specific nucleic acid sequences for microorganism identification as well as markers for antimicrobial resistance. This device is intended to aid in the diagnosis of orthopedic infections when used in conjunction with other clinical signs and symptoms and other laboratory findings. However, the device does not replace traditional methods for culture and susceptibility testing. FDA has identified the risks to health associated with this type of device and the measures required to mitigate these risks in table 1.

TABLE 1—RISKS TO HEALTH AND MITIGATION MEASURES FOR DEVICES TO DETECT AND IDENTIFY MICROORGANISM NUCLEIC ACIDS AND RESISTANCE MARKERS FROM PATIENTS WITH SUSPECTED ORTHOPEDIC INFECTION

Identified risks to health	Mitigation measures
Risk of false test results leading to improper patient management.	Use of certain specimen collection devices identified in special control (1). Certain labeling information identified in special control (2), including limitations, warnings, device descriptions, explanation of procedures, and performance information identified in special controls (3)(iii) and (3)(iv). Certain design verification and validation identified in special control (3), including documentation of certain analytical studies and clinical studies and device descriptions.
Failure to correctly interpret test results leading to misdiagnosis and associated risk of false test results.	Certain labeling information identified in special control (2), including limitations, warnings, device descriptions, explanation of procedures, and performance information identified in special controls (3)(iii) and (3)(iv). Certain design verification and validation identified in special control (3), including documentation of certain analytical studies and clinical studies and device descriptions.
Failure to correctly operate the device leading to false test results or incorrect interpretation of test results.	Use of certain specimen collection devices identified in special control (1). Certain labeling information identified in special control (2), including limitations, warnings, device descriptions, explanation of procedures, and performance information identified in special controls (3)(iii) and (3)(iv). Certain design verification and validation identified in special control (3), including documentation of certain analytical studies and clinical studies and device descriptions.

FDA has determined that special controls, in combination with the general controls, address these risks to health and provide reasonable assurance of safety and effectiveness of the device. For a device to fall within this classification, and thus avoid automatic classification in class III, it would have to comply with the special controls named in this final order. The necessary special controls appear in the regulation codified by this final order. Under the FD&C Act, submission of a premarket notification under section 510(k) is required to reasonably assure the safety and effectiveness of class II devices unless FDA determines that the device type should be exempt under section 510(m) of the FD&C Act. At this time FDA has not made this determination for devices to detect and identify microorganism nucleic acids and resistance markers from patients with suspected orthopedic infection.

This device is therefore subject to premarket notification requirements under section 510(k) of the FD&C Act.

III. Analysis of Environmental Impact

The Agency has determined under 21 CFR 25.34(b) that this action is of a type that does not normally have a significant effect on the human environment. Therefore, neither an environmental assessment nor an environmental impact statement is required.

IV. Paperwork Reduction Act of 1995

This final order establishes special controls that refer to previously approved collections of information found in other FDA regulations and guidance. These collections of information are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3521). The

collections of information in part 860, subpart D, regarding De Novo classification have been approved under OMB control number 0910–0844; the collections of information in 21 CFR part 814, subparts A through E, regarding premarket approval have been approved under OMB control number 0910–0231; the collections of information in part 807, subpart E, regarding premarket notification submissions have been approved under OMB control number 0910–0120; the collections of information in 21 CFR part 820 regarding quality management system regulation have been approved under OMB control number 0910–0073; and the collections of information in 21 CFR parts 801 and 809, regarding labeling have been approved under OMB control number 0910–0485.

¹ FDA notes that the “ACTION” caption for this final order is styled as “Final amendment; final order,” rather than “Final order.” Beginning in December 2019, this editorial change was made to

indicate that the document “amends” the Code of Federal Regulations. The change was made in accordance with the Office of Federal Register’s (OFR) interpretations of the Federal Register Act (44

U.S.C. chapter 15), its implementing regulations (1 CFR 5.9 and parts 21 and 22), and the Document Drafting Handbook.

List of Subjects in 21 CFR Part 866

Biologics, Laboratories, Medical devices.

Therefore, under the Federal Food, Drug, and Cosmetic Act and under authority delegated to the Commissioner of Food and Drugs, 21 CFR part 866 is amended as follows:

PART 866—IMMUNOLOGY AND MICROBIOLOGY DEVICES

- 1. The authority citation for part 866 continues to read as follows:

Authority: 21 U.S.C. 351, 360, 360c, 360e, 360j, 360l, 371.

- 2. Add § 866.3988 to subpart D to read as follows:

§ 866.3988 Device to detect and identify microorganism nucleic acids and resistance markers from patients with suspected orthopedic infection.

(a) *Identification.* A device to detect and identify microorganism nucleic acids and resistance markers from patients with suspected orthopedic infection is a qualitative in vitro device intended to simultaneously detect and identify microorganism nucleic acids from human clinical specimens collected from patients with suspected orthopedic infection. The device detects specific nucleic acid sequences for microorganism identification as well as markers for antimicrobial resistance. This device is intended to aid in the diagnosis of orthopedic infections when used in conjunction with other clinical signs and symptoms and other laboratory findings. However, the device does not replace traditional methods for culture and susceptibility testing.

(b) *Classification.* Class II (special controls). The special controls for this device are:

(1) Any sample collection device used must be FDA-cleared, -approved, or -classified as 510(k) exempt (standalone or as part of a test system) for the collection of specimen types claimed by this device; alternatively, the sample collection device must be cleared in a premarket submission as a part of this device.

(2) The labeling required under § 809.10(b) of this chapter must include:

(i) An intended use that includes a detailed description of targets the device detects and measures, the results provided to the user, the clinical indications appropriate for test use, and the specific population(s) for which the device is intended.

(ii) Limiting statements, when applicable, indicating:

(A) The device is intended to be used in conjunction with clinical history,

signs and symptoms, and results of other diagnostic tests, including culture and antimicrobial susceptibility testing;

(B) Detection of resistance markers cannot be definitively linked to specific microorganisms and that the source of a detected resistance marker may be an organism not detected by the assay; and

(C) Antimicrobial resistance can occur via multiple mechanisms. A not detected result for the antimicrobial resistance gene assays does not indicate antimicrobial susceptibility. Culturing and susceptibility testing of isolates is needed to determine antimicrobial susceptibility.

(iii) A detailed device description, including reagents, instruments, ancillary materials, all control elements, and a detailed explanation of the methodology, including all pre-analytical methods for processing of specimens.

(iv) Detailed descriptions of the performance characteristics of the device for all claimed specimen types as shown by the analytical and clinical studies required under paragraphs (b)(3)(iii) and (b)(3)(iv) of this section except specimen stability performance characteristics.

(3) Design verification and validation must include:

(i) A detailed device description, including all device parts, control elements incorporated into the test procedure, reagents required but not provided, the principle of device operation and test methodology, and the computational path from collected raw data to reported result (*e.g.*, how collected raw signals are converted into a reported result).

(ii) A detailed description of the impact of any software, including software applications and hardware-based devices that incorporate software, on the device's functions.

(iii) Detailed documentation of analytical studies, including those demonstrating Limit of Detection, inclusivity, cross-reactivity, microbial interference, interfering substances, competitive inhibition, carryover/cross contamination, specimen stability, within lab precision, and reproducibility, as appropriate.

(iv) Detailed documentation and performance results from a clinical study that includes prospective (sequentially collected) samples for each claimed specimen type and, when determined to be appropriate by FDA, additional characterized clinical samples. The study must be performed on a study population consistent with the intended use population and compare the device performance to results obtained using a comparator

method that FDA has determined to be appropriate. Detailed documentation must include the clinical study protocol (including a predefined statistical analysis plan), study report, testing results, and results of all statistical analyses.

Grace R. Graham,

Deputy Commissioner for Policy, Legislation, and International Affairs.

[FR Doc. 2026–09335 Filed 5–11–26; 8:45 am]

BILLING CODE 4164–01–P

DEPARTMENT OF HOMELAND SECURITY**Coast Guard****33 CFR Part 165**

[Docket No. USCG–2026–0531]

Safety Zones; Fireworks Displays in the USCG East District; Philadelphia, PA

AGENCY: Coast Guard, DHS.

ACTION: Notification of enforcement of regulation.

SUMMARY: The Coast Guard will enforce a safety zone for a fireworks display on May 12, 2026, to provide for the safety of life on navigable waterways during this event. Our regulation for marine events within the USCG East District identifies the regulated area for this event in Philadelphia, PA. During the enforcement period, the operator of any vessel in the regulated area must comply with directions from the Patrol Commander or any Official Patrol displaying a Coast Guard ensign.

DATES: The regulations in 33 CFR 165.506, for Philadelphia, PA, will be enforced for the location identified in entry 10 of table 1 to paragraph (h)(1) from 8:15 p.m. through 8:30 p.m. on May 12, 2026.

FOR FURTHER INFORMATION CONTACT: If you have questions about this notification of enforcement, you may call or email Petty Officer Dominick Dobridge, U.S. Coast Guard, Sector Delaware Bay, Waterways Management Division, telephone: 206–815–6688, option 3, email: SecDelBayWWM@uscg.mil.

SUPPLEMENTARY INFORMATION: The Coast Guard will enforce a safety zone for the Delaware River, Philadelphia, PA, from 8:15 p.m. to 8:30 p.m. on May 12, 2026. This action is necessary to ensure safety of life on the navigable waters of the United States immediately prior to, during, and immediately after fireworks displays. Our regulation for safety zones

of fireworks displays within the USCG East District, table 1 to paragraph (h)(1) to 33 CFR 165.506, entry 10 specifies the location of the regulated area as all waters of the Delaware River adjacent to Penn's Landing, Philadelphia, PA, within a 500-foot radius of the fireworks barge position. On May 12, 2026, the approximate position will be 39°56'30.39" N, 75°8'17.55" W. During the enforcement period, as reflected in § 165.506(d), vessels may not enter, remain in, or transit through the safety zone unless authorized by the Captain of the Port or designated Coast Guard patrol personnel on-scene.

In addition to this notification of enforcement in the **Federal Register**, the Coast Guard plans to provide notification of this enforcement period via the Local Notice to Mariners, marine information broadcasts, and Broadcast Notice to Mariners.

Dated: May 8, 2026.

Kate F. Higgins-Bloom,
Captain, U.S. Coast Guard, Captain of the Port, Sector Delaware Bay.

[FR Doc. 2026–09391 Filed 5–11–26; 8:45 am]

BILLING CODE 9110–04–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 165

[Docket Number USCG–2026–0496]

RIN 1625–AA00

Safety Zone; Seddon Channel, Tampa, FL

AGENCY: Coast Guard, Department of Homeland Security.

ACTION: Temporary final rule.

SUMMARY: The Coast Guard is establishing a temporary safety zone for navigable waters of Seddon Channel, Tampa Florida. The safety zone is needed to protect personnel, vessels, and the marine environment from potential hazards associated with airborne and waterborne activities occurring during the Special Operation Forces (SOF) Week Conference 2026. Entry of vessels or persons into this zone is prohibited unless specifically authorized by the Captain of the Port, Sector St. Petersburg, or their designated representative.

DATES: This rule is effective from May 18, 2026, through May 22, 2026.

ADDRESSES: To view available documents go to <https://www.regulations.gov> and search for USCG–2026–0496.

FOR FURTHER INFORMATION CONTACT: If you have questions about this rule, contact Lieutenant Ryan McNaughton, Sector St. Petersburg, Ports & Waterways Branch Chief, U.S. Coast Guard; telephone (813) 918–7270, email Ryan.A.McNaughton@uscg.mil.

SUPPLEMENTARY INFORMATION:

I. Table of Abbreviations

CFR Code of Federal Regulations
COTP Captain of the Port
DHS Department of Homeland Security
FR Federal Register
NPRM Notice of proposed rulemaking
§ Section
U.S.C. United States Code

II. Background and Authority

The Coast Guard received notification that SOF Week demonstrations will be occurring in Seddon Channel, in the vicinity of the Tampa Convention Center, Tampa, FL. Hazards from these demonstrations include high speed airborne and waterborne activities. The Captain of the Port (COTP) St. Petersburg has determined that potential hazards associated with these demonstrations are a safety concern for anyone within the event area. Therefore, the COTP is issuing this rule under the authority in 46 U.S.C. 70034, which is needed to protect personnel, vessels, and the marine environment in the navigable waters within the safety zone.

Because of these potential hazards, the Coast Guard is issuing this rule without prior notice and comment. As is authorized by 5 U.S.C. 553(b)(B), the Coast Guard finds that good cause exists for not publishing a notice of proposed rulemaking (NPRM) with respect to this rule because it is impracticable and contrary to the public interest. Additionally, the Coast Guard was notified of this event too late in the planning process to engage in the public comment process, but we must establish this safety zone by May 18, 2026, to protect personnel, vessels, and the marine environment. Therefore, we do not have enough time to solicit and respond to comments.

The Coast Guard finds that under 5 U.S.C. 553(d)(3), good cause exists for making this rule effective less than 30 days after publication in the **Federal Register** because delaying the effective date of this rule would risk the safety of the public and marine environment, so it would be contrary to the public interest.

III. Discussion of the Rule

This rule establishes a safety zone daily from 8 a.m. to 5 p.m. on May 18, 2026, through May 22, 2026. The safety zone will cover all navigable waters in

the Seddon Channel within the following points: Point 1 at 27°56'14" N, 082°27'25" W, thence to Point 2 at 27°56'15" N, 082°27'19" W; thence to Point 3 at 27°56'22" N, 082°27'16" W, thence to Point 4 at 27°56'25" N, 082°27'17" W; thence to Point 5 at 27°56'30" N, 082°27'29" W, thence to Point 6 at 27°56'29" N, 082°27'33" W, thence to Point 7 at 27°56'25" N, 082°27'35" W, thence to Point 8 at 27°56'23" N, 082°27'33" W, thence returning to Point 1. Vessels and persons will not be allowed to enter the zone during this time, unless authorized by the Captain of the Port.

IV. Regulatory Analyses

We developed this rule after considering numerous statutes and Executive orders related to rulemaking. Below we summarize our analyses based on a number of these statutes and Executive orders.

A. Impact on Small Entities

The regulatory flexibility analysis provisions of the Regulatory Flexibility Act of 1980, 5 U.S.C. 601–612, do not apply to rules that are not subject to notice and comment. Because the Coast Guard has, for good cause, waived the notice and comment requirement that would otherwise apply to this rulemaking, the Regulatory Flexibility Act's flexibility analysis provisions do not apply here.

Under section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104–121), if this rule will affect your small business, organization, or governmental jurisdiction and you have questions, contact the person listed in the **FOR FURTHER INFORMATION CONTACT** section.

Small businesses may send comments to the Small Business and Agriculture Regulatory Enforcement Ombudsman and the Regional Small Business Regulatory Fairness Boards by calling 1–888–REG–FAIR (1–888–734–3247). The Coast Guard will not retaliate against small entities that question or complain about this rule or any policy or action of the Coast Guard.

B. Collection of Information

This rule will not call for a new collection of information under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520).

C. Federalism and Indian Tribal Governments

We have analyzed this rule under Executive Order 13132, Federalism, and have determined that it is consistent with the fundamental federalism

principles and preemption requirements described in that Order.

Also, this rule does not have tribal implications under Executive Order 13175, Consultation and Coordination with Indian Tribal Governments, because it does not have a substantial direct effect on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes, or on the distribution of power and responsibilities between the Federal Government and Indian tribes.

D. Unfunded Mandates Reform Act

As required by The Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538), the Coast Guard certifies that this rule will not result in an annual expenditure of \$100,000,000 or more (adjusted for inflation) by a State, local, or tribal government, in the aggregate, or by the private sector.

E. Environment

We have analyzed this rule under Department of Homeland Security Directive 023–01, Rev. 1, associated implementing instructions, and Environmental Planning COMDTINST 5090.1 (series), which guide the Coast Guard in complying with the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*), and have determined that this action is one of a category of actions that do not individually or cumulatively have a significant effect on the human environment.

This rule is a safety zone. It is categorically excluded from further review under paragraph L60(a) of Appendix A, Table 1 of DHS Instruction Manual 023–01–001–01, Rev. 1. A Record of Environmental Consideration supporting this determination is available in the docket.

List of Subjects in 33 CFR Part 165

Harbors, Marine safety, Navigation (water), Reporting and recordkeeping requirements, Security measures, Waterways.

For the reasons discussed in the preamble, the Coast Guard amends 33 CFR part 165 as follows:

PART 165—REGULATED NAVIGATION AREAS AND LIMITED ACCESS AREAS

- 1. The authority citation for part 165 continues to read as follows:

Authority: 46 U.S.C. 70034, 70051, 70124; 33 CFR 1.05–1, 6.04–1, 6.04–6, and 160.5; DHS Delegation No. 00170.1, Revision No. 01.4.

- 2. Add § 165.T07–0496 to read as follows:

§ 165.T07–0496 Safety Zone; Seddon Channel, Tampa, FL.

(a) *Location.* The following area is a safety zone: All waters of Seddon Channel encompassed within the following points: 27°56′14″ N, 082°27′25″ W, thence to position 27°56′15″ N, 082°27′19″ W; thence to position 27°56′22″ N, 082°27′16″ W, thence to position 27°56′25″ N, 082°27′17″ W; thence to position 27°56′30″ N, 082°27′29″ W, thence to position 27°56′29″ N, 082°27′33″ W, thence to position 27°56′25″ N, 082°27′35″ W, thence to position 27°56′23″ N, 082°27′33″ W, thence back to the original position 27°56′14″ N, 082°27′25″ W. All coordinates are North American Datum 1983.

(b) *Definitions.* As used in this section, *designated representative* means a Coast Guard Patrol Commander, including a Coast Guard coxswain, petty officer, or other officer operating a Coast Guard vessel and a Federal, State, and local officer designated by or assisting the Captain of the Port (COTP) St. Petersburg in the enforcement of the safety zone.

(c) *Regulations.* (1) Under the general safety zone regulations in subpart C of this part, you may not enter the safety zone described in paragraph (a) of this section unless authorized by the COTP or the COTP's designated representative.

(2) To seek permission to enter, contact the COTP or the COTP's representative on VHF–FM channel 16 or by telephone at (866) 881–1392. Those in the safety zone must comply with all lawful orders or directions given to them by the COTP or the COTP's designated representative.

(d) *Enforcement period.* This section will be enforced daily from 8 a.m. to 5:00 p.m. from May 18, 2026, through May 22, 2026.

Courtney A. Sergeant,

Captain, U.S. Coast Guard, Captain of the Port Sector Saint Petersburg.

[FR Doc. 2026–09375 Filed 5–11–26; 8:45 am]

BILLING CODE 9110–04–P

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

43 CFR Parts 1600 and 6100

[Docket Number: BLM–2025–0001; A2407–014–004–065516, #02509–014–004–125222; LLHQ21000]

RIN 1004–AF03

Rescission of Conservation and Landscape Health Rule

AGENCY: Bureau of Land Management, Interior.

ACTION: Final rule.

SUMMARY: Through this final rule, the Bureau of Land Management (BLM) is fully rescinding the Conservation and Landscape Health Rule, issued as a final rule on May 9, 2024. This action restores balance to federal land management under the principles of multiple use and sustained yield by prioritizing access, empowering local decision-making, and aligning the BLM's implementing regulations with statutory requirements and national energy policy.

DATES: This final rule is effective on June 11, 2026.

FOR FURTHER INFORMATION CONTACT: Kyle W. Moorman, Chief, Division of Regulatory Affairs and Directives, telephone: 202–527–2433, email: kmoorman@blm.gov. Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services. Individuals outside the United States should use the relay services offered within their country to make international calls to the point-of-contact in the United States.

SUPPLEMENTARY INFORMATION:

- I. Executive Summary
- II. Background
- III. Response to Public Comments
- IV. Procedural Matters

I. Executive Summary

The Bureau of Land Management (BLM) is issuing this final rule to fully rescind the Conservation and Landscape Health Rule (2024 Rule), which amended 43 CFR part 1600 and established 43 CFR part 6100. This action restores balance to federal land management under the Federal Land Policy and Management Act of 1976 (FLPMA) by reaffirming the principles of multiple use and sustained yield, ensuring conservation does not restrict productive use of the public lands, and reducing regulatory burdens that impede efficient decision-making.

The 2024 Rule introduced unnecessary complexity and placed operational constraints on the BLM's planning and permitting processes. It also inappropriately elevated conservation as a discrete "use" of the public lands, contrary to FLPMA's intent and statutory framework. By rescinding the 2024 Rule, the BLM eliminates mechanisms—such as restoration and mitigation leasing—that threatened to restrict productive use of the public lands and introduced uncertainty and unnecessary burdens in planning and permitting. Existing authorities and tools remain sufficient to address conservation objectives without imposing prescriptive mandates or rigid timelines on public land users and the BLM itself. Repeal of the 2024 Rule will, therefore, improve the BLM's management of the public lands by restoring the more efficient processes in place prior to that Rule's promulgation and removing any thumb on the scale in favor of conservation at the expense of productive use and development of the public lands and their many important resources.

This final rule restores the regulations that govern Areas of Critical Environmental Concern (ACEC), 43 CFR 1610.7–2, to the framework in place since 1983, ensuring ACEC designations remain site-specific, based on appropriate relevance and importance criteria, and integrated into land use planning decisions. The rule also eliminates provisions that would allow third parties to obtain leases for restoration or mitigation on public lands. Such leases are not necessary for the BLM to achieve its conservation objectives through its own affirmative land management and go beyond what the BLM may legally grant under FLPMA, which only allows the BLM to grant third parties authorization to "use, occupy, and develop[]" the public lands (43 U.S.C. 1732(b)). Additionally, the rule rescinds provisions governing Land Health Standards (LHS), which imposed procedural burdens and timing requirements that disrupted established processes. The BLM will continue to apply LHS under existing grazing regulations and may consider future refinements to that framework through separate rulemaking.

In preparing this final rule, the BLM has reviewed, evaluated, and responded to substantive comments received during the public comment period. The BLM received 138,161 comment letter submissions, including 129,029 duplicative form letter submissions and 9,132 unique submissions. Commenters expressed both support for and opposition to rescinding the 2024 Rule.

Many of the public comments supported the BLM's proposal and provided their views as to how the 2024 Rule was overly restrictive, economically harmful, and inconsistent with FLPMA. The BLM generally agrees with these comments and finds that they support the decision in this final rule to make no changes relative to the proposed rule.

Many other comments, meanwhile, opposed rescission on the theory that the 2024 Rule could help the BLM to address conservation, ecosystem protection, impacts of permitted activities, and tribal engagement. These opponents were concerned that rescission of the 2024 Rule might reduce protections for cultural, biological, and recreational resources, and suggested the rescission could impact the BLM's ability to proactively reduce risks that the comments associated with climate change, such as catastrophic wildfire and flooding events.

In addition to expressing views about the problems with or value of the 2024 Rule overall, many comments also opined on the value of rescinding particular provisions. With respect to the 2024 Rule's ACEC regulations, many commenters saw them as regulatory overreach and expressed concern that provisions for temporary management and the presumption in favor of designation, among other aspects of the 2024 Rule, would lead the BLM to make overly broad ACEC designations that would incidentally—or even intentionally—crowd out productive uses of the public lands. Opponents of the proposed rule, meanwhile, cast the ACEC provisions as necessary updates to improve designation processes.

The proposal to eliminate the 2024 Rule's restoration and mitigation leasing provisions drew mixed reactions as well. Supporters of the proposal to rescind pointed out that the 2024 Rule lacked clarity, was built on a faulty understanding of the scope of the BLM's leasing authority under FLPMA, and could preclude other, productive land uses. Opponents of rescission highlighted potential benefits the leases could have with respect to proactive conservation and climate resilience.

Those who supported rescission noted that the 2024 Rule's land health provisions would lead to delays and place a heavy burden on BLM staff for any and all management actions the Bureau might take. Opponents of rescission argued that those provisions and the associated monitoring requirements should be retained on the theory that they promote transparency and responsible land management. More detailed responses to representative

substantive comments are provided in section III of this preamble.

After consideration of the substantive comments, the BLM finds that full rescission of the 2024 Rule aligns the BLM's regulations with statutory requirements and national energy policy, avoids unnecessary litigation risk, and supports efficient, transparent management of public lands. This deregulatory action does not alter the BLM's authority under FLPMA to take management actions to conserve public lands and resources, as appropriate. The BLM will continue to responsibly manage under principles of multiple use and sustained yield while using existing tools to provide for resource conservation, as appropriate, notwithstanding the rescission of the 2024 Rule effected by this final rule.

II. Background

The BLM manages approximately 245 million acres of public lands, roughly one-tenth of the land area of the United States, primarily under FLPMA, as amended (43 U.S.C. 1701 *et seq.*). FLPMA requires that, unless "public land has been dedicated to specific uses according to any other provisions of law," the Secretary, through the BLM, must manage the "use, occupancy, and development" of the public lands under principles of multiple use and sustained yield, in accordance with applicable land use plans, and to serve present and future generations (43 U.S.C. 1732(a)). "Multiple use" refers to balancing varied uses, including recreation, range, timber, mineral development, and use of other natural scenic, scientific, and historical values. "Sustained yield" refers to managing public lands and resources in perpetuity to achieve a high-level annual or regular periodic output of the various renewable resources of the public lands, consistent with multiple use.¹ In addition, FLPMA

¹ More specifically, multiple use "means the management of the public lands and their various resource values so that they are utilized in the combination that will best meet the present and future needs of the American people; making the most judicious use of the land for some or all of these resources or related services over areas large enough to provide sufficient latitude for periodic adjustments in use to conform to changing needs and conditions; the use of some land for less than all of the resources; a combination of balanced and diverse resource uses that takes into account the long-term needs of future generations for renewable and nonrenewable resources, including, but not limited to, recreation, range, timber, minerals, watershed, wildlife and fish, and natural scenic, scientific and historical values; and harmonious and coordinated management of the various resources without permanent impairment of the productivity of the land and the quality of the environment with consideration being given to the relative values of the resources and not necessarily to the combination of uses that will give the greatest

directs the BLM to take actions necessary to prevent unnecessary or undue degradation of the lands (43 U.S.C. 1732(b)). FLPMA provides the BLM with the authority and direction to ensure public lands and other resources and values are managed “to sustain the health, diversity, and productivity of public lands for the use and enjoyment of present and future generations” (blm.gov; see also 43 U.S.C. 1702(c)).

In 2024, the BLM promulgated the Conservation and Landscape Health Rule, which was codified in amendments to 43 CFR part 1600 and the newly created 43 CFR part 6100 (89 FR 40308 (May 9, 2024) (hereinafter, 2024 Rule)).² The 2024 Rule purported to establish a “policy for the BLM to build and maintain the resilience of ecosystems on public lands.” (89 FR 40308). The BLM has determined, however, based on a review of the Conservation and Landscape Health Rule, and after consideration of public comments received in response to the proposed rescission of the rule, that the 2024 Rule is unnecessary to achieve that goal and is, in fact, harmful to the BLM’s efforts to efficiently manage the public lands under applicable law. The BLM has determined through its review that the 2024 Rule vested too much discretion in individual authorizing officers to preclude productive uses of the public lands (e.g., grazing, mining, and energy development) as incompatible with the goals of conservation that were promoted in the 2024 Rule. Among other things, the 2024 Rule identified conservation as a permissible third-party use of the public lands that could be authorized through leases issued under FLPMA. This is contrary to the BLM’s mandate and statutory authority. It is not appropriate, or logical, to treat conservation as a “use” under FLPMA. Under a more appropriate interpretation and implementation of FLPMA’s mandate, the BLM works to responsibly conserve resources to ensure balanced development while also achieving long-term productivity of those resources, in all cases consistent with the principles of multiple use and sustained yield. This may be achieved through land management efforts, including in partnership with other entities, but it

does not follow that FLPMA’s leasing authority allows for conservation (*i.e.*, mitigation and restoration) as a “use.” By rescinding the regulations promulgated by the 2024 Rule across 43 CFR parts 1600 and 6100, the BLM will avoid these unnecessary burdens to decision-making and management of public lands.

The rescission of the 2024 Rule will restore the regulations governing ACECs at 43 CFR 1610.7–2 to those that the BLM had been following for ACEC designation and management since 1983. That prior framework provides a clear, legally sound process for identifying and managing ACECs through land use planning, consistent with FLPMA. The restored regulations ensure that ACEC designations remain site-specific and are based on relevant criteria. By rescinding the provisions adopted in 2024, the BLM is removing ACEC procedures that introduced complexity and uncertainty into the planning process, including by allowing for interim management of nominated areas even before that planning process can be completed.

Rescission of the 2024 Rule also eliminates burdensome requirements that the BLM consider certain values (e.g., “intact landscapes”) in planning and document a justification for implementation-level decisions that would have potential impacts to those values. The BLM should, and already does, consider and account for the full range of issues and values when engaged in the planning process and for the impacts of permitting authorized land uses and other implementation-level management decisions. To provide by rule additional requirements to do so risked incentivizing strategic litigation challenging the BLM’s planning and permitting decisions that could hamper the implementation of those decisions.

As noted above, the repeal of the restoration and mitigation leasing provisions at 43 CFR 6102.4 and 6102.4.1 will prevent the prioritization of conservation activities that could exclude other, productive uses. The BLM has the tools, information, and processes necessary to manage the public lands without inviting third parties to seek land use authorizations for the conservation activities traditionally performed by the Bureau.

Finally, the provisions of the 2024 Rule governing the development and implementation of LHS imposed rigid timelines and procedural requirements that disrupt established planning processes and create administrative burdens, interfering with efficient land management. The preexisting regulatory framework for LHS, which appears in

the grazing regulations, provides sufficient authority to address land health concerns while allowing flexibility to apply standards in other contexts without imposing prescriptive mandates. Moreover, the BLM may consider future refinements to its approach to LHS through a separate rulemaking.

For those reasons, and the reasons discussed in more detail below and in the preamble to the proposed rule (see **SUPPLEMENTARY INFORMATION** section in **Federal Register** publication [90 FR 43990] dated September 11, 2025), the BLM is promulgating this final rule to fully rescind all aspects of the 2024 Rule. In preparing this final rule, the BLM has reviewed, evaluated, and provided responses to substantive comments received in response to the proposed rule during the public comment period. A summary overview of public comments and the agency’s responses thereto follows.

III. Response to Public Comments

On September 11, 2025, the BLM published a notice in the **Federal Register** proposing to rescind the 2024 Rule and initiating a 60-day public comment period on that proposed rule. The public comment period ended on November 10, 2025. During this comment period, the BLM received 138,161 comment letter submissions, including 129,029 duplicative form letter submissions and 9,132 unique submissions. Comments of general support or opposition to the proposed rescission of the 2024 Rule that did not elaborate on specific reasoning for support or opposition, and comments addressing topics outside the scope of the 2024 Rule and elements of the proposed rescission were deemed non-substantive. The BLM analyzed and is responding to those comments that provided new information, identified potential errors, requested clarifications, or offered specific suggestions and rationale applicable to the proposed rescission. A general synopsis of those comments is provided below, followed by detailed summaries of, and responses to, comments addressing the proposed rescission of the 2024 Rule’s provisions pertaining to ACECs, restoration and mitigation leasing, LHS, and monitoring, as well as comments that discussed economic considerations and the statutory authorities relevant to rescission of the 2024 Rule.

Among the many comments, commenters indicated both support for and opposition to rescinding the 2024 Rule. Those supporting rescission viewed the 2024 Rule as overly restrictive and harmful to economic

economic return or the greatest unit output.” 43 U.S.C. 1702(c). Sustained yield “means the achievement and maintenance in perpetuity of a high-level annual or regular periodic output of the various renewable resources of the public lands consistent with multiple use.” *Id.* § 1702(h).

² Although formally titled the Conservation and Landscape Health Rule, most discourse surrounding the 2024 Rule refers to it colloquially as the Public Lands Rule.

interests, while those opposed to rescission took the position that the 2024 Rule was important for conservation, ecosystem protection, and tribal involvement.

Those who supported rescission pointed to the 2024 Rule's many procedural requirements, noting that such requirements slow down land management decision-making on the front end and introduce litigation risk on the back end. Supporters of rescission also expressed concerns about provisions of the 2024 Rule, including the ACEC and leasing provisions, that could be used to prioritize conservation above other, productive uses of the public lands, contrary to the direction in FLPMA generally to manage those lands under principles of multiple use and sustained yield.

Opponents of rescission, meanwhile, highlighted risks to tribal, historic, cultural, biological, recreational, water, and air resources, as well as increased wildfire threats and climate impacts, suggesting that rescission of the 2024 Rule could amount to removal of protections for these resources.

Comments specific to the ACEC provisions reflected these contrasting views. Comments that supported the proposed rescission noted that the 2024 ACEC provisions amounted to unnecessary regulatory overreach and argued, in particular, that the temporary management provisions and presumption in favor of designation would result in an increase in the number and geographic scope of ACEC designations and other actions to preclude productive use of the public lands, going far beyond what Congress intended in FLPMA's ACEC provisions. Opponents of rescission viewed the 2024 ACEC regulations as necessary updates to address issues with the ACEC designation process, including with respect to timing, public comment periods, temporary management, and impacts on tribal and cultural interests.

The 2024 Rule's restoration and mitigation leasing mechanisms received similarly mixed feedback. Many commenters criticized the 2024 Rule's leasing provisions' lack of clarity, questioned their statutory basis, and raised concerns about their potential to restrict other land uses. Opponents of rescission emphasized their view that the leasing provisions carried the potential to benefit proactive conservation, increase climate resilience, and leverage collaborative restoration efforts. Some commenters offered suggestions for amending, rather than wholly rescinding, the leasing provisions.

Commenters who favored rescission noted that the 2024 Rule's land health provisions introduced significant management burdens to all BLM decision-making processes and, as such, were likely to cause delays and increase litigation risk. Opponents of rescission, meanwhile, expressed support for the rule's LHS and monitoring requirements, arguing for their potential to promote ecosystem resilience and transparency.

Commenters also discussed the economic effects of the 2024 Rule and its impacts on local governments, small businesses, and rural economies, raising concerns, in support of the BLM's proposal to rescind the rule, about revenue losses from reductions in grazing and mineral development and impacts on recreation and tourism that the 2024 Rule would likely cause. Comments also proffered views on the benefits of rescission for economic growth and regulatory certainty. Opponents of rescission, meanwhile, suggested potential economic advantages could flow from maintaining the 2024 Rule by supporting recreation, restoration economies, and ecosystem services.

Commenters debated the rule's consistency, both legally and as a matter of policy, with FLPMA and other applicable laws, regulations, and executive orders. Some viewed the 2024 Rule as lawful (and necessary), while others expressed concerns, similar to the concerns that the BLM expressed in its preamble to the proposed rule to rescind the 2024 Rule, that the 2024 Rule was inconsistent with the BLM's statutory authority. Additional detail on the nature and context of these comments, and the BLM's responses to them, is provided below.

Areas of Critical Environmental Concern

The BLM received numerous comments responding to the BLM's proposal to restore the ACEC regulations at 43 CFR 1610.7–2 to the form they took prior to promulgation of the 2024 Rule. With the proposed rule, the BLM solicited comments as to whether those legacy ACEC regulations should be restored verbatim, as proposed, or revised to allow for more efficient and flexible management of ACECs as part of managing the public lands under principles of multiple use and sustained yield. After reviewing the public comments received on the proposed rule, the BLM here in the final rule is restoring the ACEC regulations to their prior form under which the BLM had, until just recently, managed ACEC designations since 1983.

The BLM received comments against the verbatim reinstatement of the legacy ACEC regulations. Many of these comments raised concerns that the reinstatement of a 60-day comment period for ACECs would reintroduce burdensome steps to the planning process. Commenters noted that these public comment periods often hinder the BLM's ability to meet required National Environmental Policy Act (NEPA) deadlines and that they find these periods inefficient and a hindrance to streamlining the designation and de-designation process. Other comments that opposed reinstatement of the legacy regulations suggested that there were flaws in the ACEC regulations that predated the 2024 Rule. Commenters discussed the importance of using ACEC designations to aid in the protection of ecologically, culturally, and scientifically significant landscapes, consistent with the direction in FLPMA to prioritize such designation, while still safeguarding access to and development of public lands.

The BLM received comments opposing the proposed rule and supporting retention of, or further revisions to, the version of the ACEC regulations promulgated by the 2024 Rule. These commenters argued that the existing version or appropriate further revisions to it would provide greater clarity on ACEC designation and management than would the 1983 version of the regulations and would, thereby, increase efficiency. Commenters noted the benefit that comes from giving regulatory clarity to FLPMA's requirement that special management attention be required to protect and prevent irreparable damage before the BLM may designate an ACEC. Commenters suggested that these measures are lawful, necessary, and consistent with FLPMA's multiple-use and sustained-yield principles, while they also ensure public participation and transparency. Other comments noted the benefit of having an explicit regulation to address ACEC boundaries such as is included in the 2024 Rule but suggested different language to ensure that ACEC designations are narrowly tailored to small, well-defined areas while also allowing compatible uses to continue.

The BLM also received comments supporting the BLM's proposal to reinstate the legacy ACEC regulations verbatim. Many commenters raised concerns that the 2024 Rule represented regulatory overreach and set designation procedures contrary to law. For example, commenters suggested that the inclusion of a "presumption" in favor of

designation and the procedures for temporary management for nominated ACECs, without first undergoing planning, are not grounded in FLPMA's provision for designation of ACECs through the land use planning process. Commenters further asserted that the 2024 Rule distorts the original intent of ACEC designations, which are meant to be site-specific and based on rigorous criteria for relevance, importance, and the need for special management and expressed concern that the expansion of ACEC regulations under the 2024 Rule could allow for large-scale designations that preclude management for other uses without sufficient justification or procedural protections. Similarly, comments that supported rescission argued that restricting a State Director's discretion to remove an ACEC designation was inappropriate, considering that FLPMA contains no such restriction. Commenters indicated that the 2024 Rule made it more difficult to remove an ACEC designation, even when designation is no longer justified. These commenters indicated that, based on these many concerns, the 2024 ACEC provisions would likely restrict productive use of public lands.

After reviewing public comments, the BLM is, as part of this deregulatory effort, restoring the ACEC regulations to the text that has guided the BLM's management of ACECs since 1983. Commenters identified concerns with the regulations promulgated by the 2024 Rule, particularly those provisions that commenters interpreted to create a presumption in favor of designation and a higher bar for de-designation and that authorized the BLM to impose restrictions in the form of "temporary management." At the same time these and other commenters also raised concerns about returning to the regulatory language previously in place, including concerns about the reimposition of redundant notice provisions and the old regulations' silence on setting ACEC boundaries. Ultimately, those concerns are outweighed by the concerns around the 2024 Rule.

While some of the concerns associated with the 2024 Rule might have been addressed through further revisions, rather than a return to the pre-2024 regulations, the BLM has determined that reestablishing those older regulations verbatim is preferable at this stage. The BLM is best positioned to navigate gaps in the framework or concerns about its operation in the context of regulations with which it is familiar from decades of implementation. Nevertheless, although

the BLM is restoring the ACEC regulations verbatim to their prior form with this final rule, the BLM is giving further consideration to those comments that indicated support for further refinement of the ACEC regulations as part of broader initiatives underway to reduce burdensome regulations and barriers to efficient management of public lands. The BLM may, in a separate process, pursue further rulemaking to address the ACEC regulations in a manner that could address some of the issues raised.

Restoration and Mitigation Leasing

Many comments supported the proposal to rescind the restoration and mitigation leasing provisions contained in the 2024 Rule. Some commenters warned that the leasing provisions could create a market-based system for monetizing conservation outcomes, allowing well-funded entities to obtain quasi-exclusive control of public lands and, as a result, encourage speculative behavior.

Commenters also argued that the restoration and mitigation leasing provisions of the 2024 Rule were unnecessary because the BLM already has effective mitigation tools and longstanding partnerships capable of supporting landscape-scale conservation efforts. They expressed concern that the leases, then, were duplicative, confusing, and potentially disruptive to existing conservation efforts and those long-standing partnerships in that they could create inequities between landscape-scale and site-specific conservation efforts. Several commenters said the 2024 Rule's leasing framework lacked transparency and clarity, particularly with respect to the definition, allocation, and implementation of mitigation credits associated with the mitigation leases for which the 2024 Rule provided. Commenters also raised concerns that restoration and mitigation leases could encourage passive management, a particular concern in arid ecosystems where active stewardship is needed to control wildfire risk, invasive species spread, and habitat decline. These commenters felt that the leasing framework did not provide adequate detail to address and adapt to these potential consequences.

Finally, and most fundamentally, commenters reiterated concerns that the BLM has heard all throughout the process of first promulgating and now considering rescission of the 2024 Rule that the leasing provisions set up a framework for excluding productive uses—grazing, mineral development, recreation, etc.—of the public lands as

incompatible with a lease for restoration of those same lands, including a lease for *passive* restoration. Such exclusion, the commenters correctly point out, runs contrary to the letter and spirit of FLPMA's direction, in general, to manage the public lands under principles of multiple use and sustained yield.

Other commenters supported the 2024 Rule's leasing provisions, and opposed their rescission, taking the position that they provided a predictable and accountable framework for addressing environmental degradation and improving ecosystem resilience. Opponents of rescission argued that the leasing provisions could provide benefits for climate adaptation, habitat connectivity, watershed health, and collaborative conservation. They viewed the leasing program as a flexible tool that could complement other uses and attract private investment in restoration. Many commenters offered recommendations for amending—rather than rescinding—the leasing provisions, including revisions to expand eligibility for state and local governments, incorporate climate resilience, require active management and adaptive management, and clarify standards for judging compatibility of restoration and mitigation leases with other land uses, along with other suggestions for adjusting lease terms and valuation methods. Several commenters highlighted the need for clear coordination mechanisms among the BLM, state agencies, tribes, local governments, and private partners. They recommended formal collaboration structures, standardized evaluation processes, and clearer guidance on how restoration and mitigation leases could interact with existing uses and rights. Finally, some commenters expressed concern that removal of the program would reduce accountability for mitigating development impacts and weaken proactive land management.

Ultimately, the BLM finds that the 2024 Rule's leasing provisions are not required to implement FLPMA and exceed the Bureau's statutory authority by elevating conservation as a discrete "use" for those leases. (For additional discussion of the latter point, see below under "Statutory Authority.") While the BLM recognizes the importance of conservation for responsible management of public lands, existing authorities—including land use planning under 43 CFR part 1600, project-level NEPA review, and longstanding partnership programs—already provide sufficient tools to address environmental impacts, promote restoration, and prevent

unnecessary or undue degradation without the additional regulatory structure created by the 2024 Rule. Because the agency determined that the 2024 framework is unnecessary—not to mention inconsistent with FLPMA—suggestions to revise or refine the leasing program do not warrant further consideration in this rulemaking. Moreover, the many and disparate suggestions for further revisions to the 2024 Rule illustrate the concerns with the Rule as written but without identifying a clear solution short of full rescission. The BLM will continue to coordinate and collaborate with partners to responsibly manage for and balance multiple use and sustained yield and will look for opportunities to strengthen existing conservation tools, improve coordination with partners, and enhance restoration outcomes.

Land Health Standards

Many comments discussed the 2024 Rule's provisions governing the development and implementation of LHS and the proposal to rescind them. Several comments raised concerns about the feasibility and potential harms of implementing LHS broadly, including the possibility of delays in issuing land use authorizations, redundant requirements for grazing permittees, and challenges in applying LHS beyond the grazing context to which they were limited prior to the 2024 Rule. Other commenters advocated for retaining the land health regulations in some form, underscoring the value of monitoring ecological indicators tailored to track specific resource trends that vary across major ecosystem types. Still others suggested that the 10-year interval for land health evaluations, introduced by the 2024 Rule, should be either shorter or longer, with different commenters taking opposing views. Commenters also expressed support for the provisions of the 2024 Rule that make land health evaluations available to the public; apply LHS to evaluate the effectiveness of restoration projects; and require the consideration of potential impacts on land health as part of management decisions.

Upon consideration of the many comments related to the 2024 Rule's LHS provisions, the BLM maintains that those provisions created additional, counterproductive burdens and challenges to accomplishing the agency's mission and concludes that the existing LHS regulatory framework, in place prior to the 2024 Rule as part of the grazing regulations, offers sufficient ability to address land health without the additional complexity introduced by the 2024 Rule. For example, as

commenters noted in support of rescission, the 2024 Rule includes provisions that often require the BLM to act on a fixed or rapid timetable. Such timing provisions hamstringing the Bureau by displacing its usual processes to meet the deadline. Even with a full rescission of the 2024 Rule, the Bureau can still choose to apply specific LHS (developed under the grazing rule provisions) when developing and considering management actions and their alternatives outside the grazing context. But doing so would no longer be required by regulation in those circumstances where it does not make sense. Finally, although the BLM is promulgating a full rescission of the 2024 Rule, including the LHS provisions therein, it is considering, as part of a separate rulemaking effort, whether to further refine its approach to the development and application of LHS. The BLM will consider salient points raised in comments on this rulemaking as part of that separate effort.

Monitoring and Evaluation

Commenters suggested there was value in the 2024 Rule's provisions for standardized data collection and reporting in that they contributed to enhancing land and water planning and management, while also promoting transparency and informed decision-making through annual reporting and public access to land health data. Commenters also asked how rescission of the 2024 Rule would affect the BLM's monitoring and evaluation practices, including watershed condition assessments, land health evaluations, and restoration monitoring, and whether rescission would limit the BLM's ability to use data collected by state, local, or partner agencies.

The concerns expressed in those comments are misplaced in that the rescission of the 2024 Rule is not likely to adversely affect the bureau's management and monitoring functions. Indeed, the BLM anticipates that rescission of the rule will aid the bureau by providing greater flexibility to tailor its monitoring program appropriately and dynamically. The BLM continues to implement resource monitoring through the Assessment, Inventory, and Monitoring (AIM) program, which provides a robust, systematic framework for tracking resource conditions over time. AIM data support watershed condition assessments and other analyses regardless of whether the 2024 Rule is in place. The rescission of the 2024 Rule does not prevent the BLM from standardizing data collection and reporting, nor does it restrict the BLM's

use of data collected by state or local agencies or alter existing cooperative data-sharing practices. The BLM remains committed to incorporating the best available data from all sources to support informed decision-making and avoid unnecessary duplication of monitoring efforts. The BLM recognizes the benefits of standardized annual reporting of land health data for decision-making and may address that issue in a separate rulemaking effort.

Some commenters expressed concern that rescinding the 2024 Rule could create uncertainty with respect to cleanup, mitigation, and site restoration obligations for lands leased for extractive uses. These comments, too, posit harms that are unlikely to result from rescission of the 2024 Rule. The 2024 Rule did not alter existing requirements for cleanup, mitigation, or site restoration. Under current regulations, and without reference to the 2024 Rule, permittees and lessees engaged in extractive uses are accountable for avoiding and minimizing impacts and for reclaiming disturbed areas in accordance with applicable Conditions of Approval and lease stipulations. The BLM continues to be responsible for monitoring operator compliance with those requirements, and rescission of the 2024 Rule does not change that responsibility.

Economic Considerations

The BLM considered numerous comments that addressed the economic impact of particular provisions of the 2024 Rule and, by extension, the proposal to rescind them. Those comments contained a range of views regarding the potential economic impacts of the proposed rule to rescind the 2024 Rule, with arguments both that it would lead to economic benefits and that it would lead to economic costs.

Commenters identified potential costs and benefits of restoring the ACEC regulations at 43 CFR 1610.7–2 to the form they took prior to promulgation of the 2024 Rule. Some commenters stated that removing provisions allowing for temporary management of areas nominated to be ACECs would limit negative impacts to extractive uses or adjacent landowners while designation is being considered. Other comments expressed concerns that there would be fewer ACEC designations leading to degradation of natural, cultural, and scenic resources.

The BLM evaluated the potential positive and negative aspects of restoring the ACEC regulations at 43 CFR 1610.7–2 to the form they took prior to promulgation of the 2024 Rule,

as described in the economic analysis of the rule. That analysis is revised and improved based in part on public comments received on the proposed rule. While the BLM is restoring the ACEC regulations verbatim to their prior form with this final rule, the BLM is giving further consideration to the comments received regarding the ACEC regulations as part of the broader initiatives underway to reduce burdensome regulation and barriers to efficient management of public lands. The BLM may pursue further rulemaking with respect to ACECs that could address some of the issues raised.

The BLM received many comments both for and against the proposed rule on the basis that removing the emphasis on landscape intactness and restoration in planning will impact industry, communities, and ecosystem services. Some comments asserted that rescission of the 2024 Rule will lead to economic expansion by prioritizing industry over conservation. Other comments stated that the change will lead to economic contraction for communities dependent on outdoor recreation economies, which are, in turn, dependent on healthy landscapes. Some comments stated that the rule change will result in losses from a reduction in ecosystem services.

Some commenters claimed that the BLM's initial economic analysis of the proposed rule did not fully account for the foregone benefits of the 2024 Rule. Those commenters criticized the BLM for dismissing these impacts as merely qualitative, arguing that established nonmarket valuation methods could and should be used to quantify these costs. They cited research purporting to validate the high economic value of public lands for activities like hiking and wildlife viewing, which generate substantial consumer surplus.

OMB has determined that the final rule is significant under section 3(f) of E.O. 12866. The BLM has complied with the requirements of E.O. 12866 by preparing an economic analysis. Consistent with Circular A-4, where benefits and costs are difficult to quantify, qualitative discussion of the issues and evidence may be presented. Contrary to comments suggesting otherwise, providing a qualitative analysis is not the same as assuming nonmarket benefits are zero. The BLM recognizes the validity and applicability of nonmarket valuation methods. However, applying these methods requires an estimate of a change in resource use or similar metric. This regulatory change does not change management decisions and does not have any direct on-the-ground impacts. This rule does not prohibit or require

particular future land management decisions. Any positive or negative impacts would only result from future land management decisions that are not constrained by this regulatory change. It is not possible to predict the future change in resource use that might result from the complex set of future land management decisions.

For example, changes in consumer surplus associated with recreation derive either from a change in the number of trips or the quality of each trip. The final rule does not expand or restrict recreation on public lands. By rescinding the relevant provisions of the 2024 Rule, it may affect future planning and implementation decisions that, in turn, affect recreation access. The net effect of those future decisions, and how they might change due to this regulatory change, however, is unknowable. It is possible that the final rule may create a process in which a future recreation or restoration activity is denied while it otherwise would have been approved. It is equally possible that a different decision, in a different location, may allow recreation activity where it may otherwise have been denied. This dynamic can be seen across the breadth of the public comments received, some of which expressed concerns that rescinding the 2024 Rule would *reduce* future recreation activity while others emphasized the repeal was necessary to *ensure* future recreation activity.

Comments claim that rescission will affect small entities including small business, governments, and not-for-profit organizations in various positive and negative ways by changing the mix of uses authorized on public lands. Some commenters expressed concern that the 2024 Rule would significantly harm small businesses in the mineral extraction, recreation, and ranching sectors—including by restricting those uses in favor of restoration and mitigation leases—and that rescission of the 2024 Rule would alleviate those harms. Other commenters expressed concern that rescinding the 2024 Rule would negatively impact small tourism and recreation businesses by prioritizing extractive uses.

Again, this regulatory change does not change management decisions and does not have any direct on-the-ground impacts. Any positive or negative impacts on small entities would result from future land management decisions which are not constrained by this regulatory change. The net result of how those future decisions might change due to the current regulatory change is highly uncertain. To help further explain this, the BLM notes that regulatory updates can influence how

public lands are managed by clarifying procedures, streamlining reviews, or adjusting how types of uses may be considered. These changes can shape the range of possibilities for future land use, but they do not directly result in new projects or developments. Actual land-use decisions depend on many factors beyond the rulemaking process, including market demand, the cost of development, technical feasibility, and public involvement. In many cases, these factors are more influential than the regulations themselves in determining what ultimately happens on the ground. Therefore, while a regulatory change might make certain types of uses easier to propose and evaluate, it does not guarantee that those uses will occur. The BLM agrees that the Initial Regulatory Flexibility Analysis did not sufficiently consider the impacts on small government jurisdictions. This has been added to the Threshold Analysis of the Final Rule. Specifically, the analysis now identifies how future land management decisions could impact the mix of industry within a jurisdictional area leading to changes in small government tax bases. Any changes would result from future management decisions and not directly from this rulemaking effort.

Finally, outfitters and guides commented that subpart 6103's streamlining and tiering elements of the current rule (Baseline) provide a useful regulatory framework to guide the BLM's decisions on their special recreation permits. The BLM acknowledges this feature of the current rule and has added related information and discussion to the Threshold Analysis of the Final Rule. The BLM recognizes the potential positive benefit of the provisions cited in comments by outfitters and guides and is considering whether to promulgate similar provisions through a separate rulemaking effort.

Statutory Authority

Many comments discussed the relationship between the 2024 Rule, the proposed rule to rescind the 2024 Rule, and the BLM's rulemaking authority under FLPMA. Some commenters argued that the BLM lacked statutory authority to promulgate the 2024 Rule, or elements of it, at least, or that the 2024 Rule was otherwise unlawful. Others took the position that the 2024 Rule was within the BLM's authority to promulgate. As an initial matter, even if the 2024 Rule were promulgated consistent with the BLM's authority, there is no suggestion that FLPMA obliges maintenance of that rule now in the face of the sound policy reasons for

rescission, discussed elsewhere in this preamble and in the preamble to the proposed rule. For example, direction in FLPMA to give priority to the designation of ACECs does not require that the BLM maintain regulations pertaining to the designation of ACECs in any particular form, particularly where, as here, the BLM has judged the 2024 Rule's ACEC provisions to place unneeded burdens on the designation process.

As for suggestions that the 2024 Rule exceeded the BLM's authority, not all of the arguments advanced by the public comments on the proposed rule have merit. However, as noted in the preamble to the proposed rule, the BLM remains concerned that the 2024 Rule inappropriately treats conservation as a use alongside other, productive uses of the public lands. From that misconception of the role of conservation in the BLM's management of the public lands under FLPMA, the 2024 Rule allowed for restoration and mitigation leases that cannot be squared with the BLM's authority under Title III of FLPMA to authorize third parties to "use, occup[y], and develop[]" the public lands. 43 U.S.C. 1732(b). This is not to say that conservation is not a legitimate objective of the BLM, but it does not follow that FLPMA's leasing authority may be used to that end.

Some comments took specific issue with the proposal to rescind the 2024 Rule's definition of "unnecessary or undue degradation," as part of rescinding the 2024 Rule in its entirety. Although these commenters are correct to point out that FLPMA obliges the BLM to "take any action necessary to prevent unnecessary or undue degradation of the lands," 43 U.S.C. 1732(b), that statutory obligation is not changed at all by the rescission of the 2024 Rule, just as it applied to the BLM without regulatory definition of the term "unnecessary or undue degradation" (outside of the limited case of the hard rock mining regulations) for all the years between enactment of FLPMA and the 2024 Rule. Ultimately, rescinding the 2024 Rule's definition of "unnecessary or undue degradation" is appropriate because the definition applied only within Part 6100, which is itself being wholly repealed.

Commenters invoked a number of Executive and Secretary's Orders to argue both in favor of and against the proposal to rescind the 2024 Rule. Commenters have not identified any violation or other legal inconsistency between this rule and any Executive or Secretary's Order. To the extent those commenters have suggested that this rule would be inconsistent with the

policy direction underlying any particular Executive or Secretary's Order, the BLM disagrees. The BLM can and will continue to implement direction it receives from the President and from the Secretary of the Interior when managing the public lands. It is not necessary to maintain the overly burdensome regulations promulgated by the 2024 Rule to do so. The BLM agrees, meanwhile, with commenters who pointed out consistency between the proposal to rescind the 2024 Rule and the policy underlying, for example, Executive Orders 14154, *Unleashing American Energy*, 14156, *Declaring a National Energy Emergency*, and 14261, *Reinvigorating America's Beautiful Clean Coal Industry and Amending Executive Order 14241*, and Secretary's Orders 3417, *Addressing the National Energy Emergency*, 3418, *Unleashing American Energy*, and 3421, *Achieving Prosperity through Deregulation*. The direction provided in those Executive and Secretary's Orders further supports the BLM's rationale for rescinding the 2024 Rule.

IV. Procedural Matters

Regulatory Flexibility Act

The Secretary of the Interior certifies that this final rule will not have a significant economic effect on a substantial number of small entities under the Regulatory Flexibility Act (as amended by the Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996; 5 U.S.C. 601 *et seq.*). The Final Rule eliminates regulations that directed the BLM's processes and, thus, is procedural and legal in character. It does not directly regulate industry or other small entities. Other than one-time costs associated with reading and adjusting to the Final Rule (*i.e.*, rule familiarization), the changes will not impose direct costs or generate direct benefits for any small entities. These regulatory updates may influence future land management decisions by clarifying procedures, streamlining reviews, or adjusting how types of uses may be considered. These changes can shape the range of possibilities for future land use, but they do not directly result in new projects or developments. Actual land-use decisions depend on many factors beyond regulatory requirements.

To the extent the Final Rule leads to changes in future land use decisions that affect the mix of authorized activity in the future, there may be indirect impacts of the regulatory change on some small entities. For example, if the Final Rule leads to future land management decisions that, in

aggregate, increase opportunities for grazing, natural resource extraction, and energy development relative to what would otherwise occur, small entities in these sectors may benefit. Conversely, if the Final Rule reduces opportunities for environmental consulting, restoration, or remediation, small businesses in these sectors may be negatively affected. Further, fees associated with restoration and mitigation leases are transfer payments from lease holders, potentially including small businesses, to the federal government that would no longer occur under the Final Rule. Any effects on businesses that stem from the Final Rule, may impact small governments by increasing or decreasing sources of tax revenue.

The BLM identified a range of industries that might be affected by the Final Rule, including those involved in ranching, resource extraction, energy production, restoration, and recreation, as well as environmental organizations. Using the size standards developed by the Small Business Administration, the BLM estimated the number of small businesses in each industry and the net cost that would be necessary to result in a significant impact on a substantial number of small entities. For this calculation, the BLM defined a significant impact as one greater than 3% of annual receipts, and a substantial number as 20% or greater of all small entities operating in a particular sector. The BLM is not able to quantify benefits or costs that might result indirectly if the Final Rule leads to different future management decisions. However, the BLM does not expect the net effects of future land management decisions on small entities to exceed the estimated thresholds.

There are no compliance costs for small entities other than potential rule familiarization costs. If the rule change takes two hours to read and understand at an hourly wage of \$45 per hour, it would inflict a cost of \$90 per business. However, since this rulemaking is a rescission of a previously new section of regulations, some industries will see this as a return to the known status quo and therefore will not incur a familiarization cost (*e.g.*, grazing and extractive industries). To the extent that additional impacts occur, the Final Rule is expected to indirectly benefit Ranching, Natural Resource Extraction, Energy Production, and Energy Transmission businesses operating on BLM-managed lands. Recreation industries may feel mixed indirect effects depending on whether the relevant recreation activity would increase or decrease following subsequent land use decisions. The

Final Rule is not expected to change the demand for Restoration and Remediation services, but rather shift that demand to work on non-BLM-managed lands. Small governments may be indirectly positively or negatively impacted if the Final Rule results in changes to the mix of industries comprising their local tax bases. Small Environmental Organizations with the goal of conducting conservation on BLM-managed land may face less certainty regarding funding and their ability to conduct conservation on BLM-managed land after removal of the restoration and mitigation leasing provisions.

Further, the BLM solicited comments from potentially affected small entities, and received 164 comments that discussed impacts to small entities, including small governments (70 comments) and small businesses (94 comments). These comments did not provide any additional information indicating impacts would exceed these thresholds. As such, the BLM is not required to prepare a Final Regulatory Flexibility Analysis with this Final Rule. Further description of the number of small entities potentially impacted by this deregulatory action and the size of any impact is provided in the document titled, “*Economic Analysis for Final Rule: Rescinding Conservation and Landscape Health Rule*,” which is part of the eRulemaking docket.

Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501–3521) generally provides that an agency may not conduct or sponsor, and not withstanding any other provision of law a person is not required to respond to, a collection of information, unless it displays a currently valid Office of Management and Budget (OMB) control number. The information collection requirements contained in Part 6100 are approved by OMB under OMB Control Number 1004–0218.

The final rule would eliminate all the information collection requirements that were previously approved under that OMB Control Number. The eliminated information collection requirements are listed below, along with the resulting information collection burden reductions:

- Restoration and Mitigation Leasing/Restoration or Mitigation Development Plan—43 CFR 6102.4(a)(6) and (7);
- Restoration and Mitigation Leasing/Additional Information 43 CFR 6102.4(a)(8);
- Restoration and Mitigation Leasing/Monitoring Plan—43 CFR 6102.4(a)(9);

- Restoration and Mitigation Leasing/Annual Report—43 CFR 6102.4(a)(9);
- Termination and Suspension of Restoration and Mitigation Leases/written request to resume or suspended activity—43 CFR 6102.4.1(d)(3);
- Bonding for Restoration and Mitigation Leases—43 CFR 6102.4.2(a);
- Mitigation/Approval third parties as mitigation fund holders—43 CFR 6102.5.1(e); and
- Mitigation/Approval third parties as mitigation fund holders/Annual Fiscal Reports—43 CFR 6102.5.1(e).

The BLM submitted a request to OMB to discontinue OMB Control Number 1004–0218. The rescission of these regulations, along with the information collection requirements contained therein and the discontinuance of OMB Control Number 1004–0218 reduces public information collection burdens by 63 annual responses and 1,459 annual burden hours.

National Environmental Policy Act

The rescission rule, like the 2024 Rule, is within the category of actions described in the categorical exclusion that appears in the Department of the Interior’s (Department’s) NEPA regulations at 43 CFR 46.210(i). The rule is legal, procedural, and administrative in nature in that it defines the procedures (here, by removing them) that the Bureau will follow in the course of conducting its land management activities. As such, the rule has no direct environmental effects. Any *indirect* environmental effects that the rule may have are “too broad, speculative, or conjectural to lend themselves to meaningful analysis and will later be subject to the NEPA process, either collectively or case-by-case.” 43 CFR 46.210(i). Therefore, the categorical exclusion applies to this rulemaking. A copy of the final CE is available at <https://www.regulations.gov/docket/BLM-2025-0001>.

Regulatory Planning and Review Under Executive Order 12866

Section 6(a) of E.O. 12866 requires agencies to submit “significant regulatory actions” to the Office of Information and Regulatory Affairs (OIRA) for review. This regulatory action is a “significant regulatory action” under section 3(f) of E.O. 12866. Accordingly, this action was submitted to OIRA for review under E.O. 12866.

The BLM is required to conduct an economic analysis in accordance with section 6(a)(3)(B) of E.O. 12866. More can be found in the document titled, “*Economic Analysis for Final Rule: Rescinding Conservation and*

Landscape Health Rule,” which is part of the eRulemaking docket.

Review Under Executive Orders 14154 and 14192

The BLM has examined this final rulemaking and has determined that it is consistent with the policies and directives outlined in E.O. 14154, *Unleashing American Energy*, and E.O. 14192, *Unleashing Prosperity Through Deregulation*. This final rule is an E.O. 14192 deregulatory action.

Review Under Executive Order 13175

The BLM has determined that it is not obliged by Executive Order 13175, *Consultation and Coordination with Indian Tribal Governments*, or Department or Bureau policy to conduct tribal consultation in advance of promulgating this final rule.

The rescission rule will not have “tribal implications”; that is, it will not “have substantial direct effects on one or more Indian tribes.” E.O. 13175, §§ 1(a), 5(b). That is because the rule eliminates regulations that had set agency procedures but does not dictate any outcome for future land management decisions. Rather, any effects on tribes will occur, if at all, only as a result of separate planning and implementation decisions. Though those decisions may pertain to the subject matter of this final rule, the BLM’s discretion to make such future decisions will be guided by the scope of its statutory authority, which is neither restricted nor expanded by the rescission of the 2024 Rule.

It is true, as commenters pointed out in the public comment process, that the wholesale rescission of the 2024 Rule includes rescission of the provisions of that rule that related to engagement with tribes and the rescission of the definition, for purposes of 43 CFR part 6100, of the term *Indigenous Knowledge*. But the rescission of those elements merely reflects the fact that the regulations establishing the processes to which those provisions attached are themselves being rescinded. It does not imply any change to Bureau policy or the BLM’s commitment to consult with tribes and to consider and include Indigenous Knowledge in the course of land management under other law and policies that continue to apply, undisturbed by the rescission of the 2024 Rule. Any future land management decisions that are made once the 2024 Rule is no longer in place will be subject to those policies, including to the extent that they call for consultation with tribes.

Though no substantial direct effects on one or more Indian Tribes are

expected under this rule, pursuant to E.O. 13175 and Department policy, Federally Recognized Indian Tribes have the ability to request consultation on future planning and implementation decisions related to the subject matter of this rule.

Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use (E.O. 13211)

Under E.O. 13211, agencies are required to prepare and submit a Statement of Energy Effects to the Administrator of the Office of Information and Regulatory Affairs, Office of Management and Budget, for those matters identified as significant energy actions. This is to include a detailed statement of “any adverse effects on energy supply, distribution, or use (including a shortfall in supply, price increases, and increased use of foreign supplies) should the proposal be implemented” and “reasonable alternatives to the action with adverse energy effects and the expected effects of such alternatives on energy supply, distribution, and use.”

Section 4(b) of E.O. 13211 defines a “significant energy action” as “any action by an agency (normally published in the **Federal Register**) that promulgates or is expected to lead to the promulgation of a final rule or regulation, including notices of inquiry, advance notices of proposed rulemaking, and notices of proposed rulemaking: (1)(i) that is a significant regulatory action under E.O. 12866 or any successor order, and (ii) is likely to have a significant adverse effect on the supply, distribution, or use of energy; or (2) that is designated by OIRA as a significant energy action.”

This final rule is expected to not have a significant effect on the Nation’s energy supply.

Authority: 16 U.S.C. 7202; 43 U.S.C. 1701 *et seq.*

This action is taken pursuant to an existing delegation of authority.

List of Subjects

43 CFR Part 1600

Administrative practice and procedure, Coal, Environmental impact statements, Environmental protection, Intergovernmental relations, Preservation and conservation, Public lands.

43 CFR Part 6100

Conservation use, Ecosystem resilience, Land health, Restoration.

Lanny Erdos,

Director, Office of Surface Mining, Reclamation, and Enforcement, Exercising the Authority of the Assistant Secretary, Land and Minerals Management.

Accordingly, for the reasons set out in the preamble, the Bureau of Land Management amends 43 CFR parts 1600 and 6100 as set forth below:

PART 1600—PLANNING, PROGRAMMING, BUDGETING

■ 1. The authority citation for part 1600 continues to read as follows:

Authority: 43 U.S.C. 1711–1712.

■ 2. Revise § 1610.7–2 to read as follows:

§ 1610.7–2 Designation of areas of critical environmental concern.

Areas having potential for Areas of Critical Environmental Concern (ACEC) designation and protection management shall be identified and considered throughout the resource management planning process (see §§ 1610.4–1 through 1610.4–9).

(a) The inventory data shall be analyzed to determine whether there are areas containing resources, values, systems or processes or hazards eligible for further consideration for designation as an ACEC. In order to be a potential ACEC, both of the following criteria shall be met:

(1) *Relevance.* There shall be present a significant historic, cultural, or scenic value; a fish or wildlife resource or other natural system or process; or natural hazard.

(2) *Importance.* The above-described value, resource, system, process, or hazard shall have substantial significance and values. This generally requires qualities of more than local significance and special worth, consequence, meaning, distinctiveness, or cause for concern. A natural hazard can be important if it is a significant threat to human life or property.

(b) The State Director, upon approval of a draft resource management plan, plan revision, or plan amendment involving ACECs, shall publish a notice in the **Federal Register** listing each ACEC proposed and specifying the resource use limitations, if any, which would occur if it were formally designated. The notice shall provide a 60-day period for public comment on the proposed ACEC designation. The approval of a resource management plan, plan revision, or plan amendment constitutes formal designation of any

ACEC involved. The approved plan shall include the general management practices and uses, including mitigating measures, identified to protect designated ACEC.

PART 6100—[REMOVED]

■ 3. Under the authority of 43 U.S.C. 1701 *et seq.*, remove part 6100.

[FR Doc. 2026–09386 Filed 5–11–26; 8:45 am]

BILLING CODE 4331–27–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

45 CFR Part 98

RIN 0970–AD20

Restoring Flexibility in the Child Care and Development Fund (CCDF)

AGENCY: Office of Child Care (OCC), Administration for Children and Families (ACF), Department of Health and Human Services (HHS).

ACTION: Final rule.

SUMMARY: This final rule amends the Child Care and Development Fund (CCDF) regulations to reduce costs and burden for States and Territories administering the CCDF program. It rescinds the requirements to limit family co-payments to 7 percent of family income, to provide some direct services through grants or contracts, to pay providers prospectively, and to pay providers based on enrollment. A plain language summary of this final rule is posted at <https://www.regulations.gov/document/ACF-2026-0001-0002>.

DATES: *Effective:* July 13, 2026.

FOR FURTHER INFORMATION CONTACT: Megan Campbell, Supervisory Child Care Program Specialist, Policy, Data, and Planning Division, Office of Child Care, Administration for Children and Families, Department of Health and Human Services, Washington, DC 202–690–6499 or OCCPolicyInfo@acf.hhs.gov.

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I. Statutory Authority

This final rule is being issued under the authority granted to the Secretary of Health and Human Services by the Child Care and Development Block Grant (CCDBG) Act of 1990, as amended (42 U.S.C. 9857, *et seq.*), and section 418 of the Social Security Act (42 U.S.C. 618).

II. Background

The CCDBG Act, hereafter referred to as the “Act” (42 U.S.C. 9857 *et seq.*), together with section 418 of the Social Security Act (42 U.S.C. 618), authorize the Child Care and Development Fund (CCDF), which is the primary federal funding source dedicated to supporting working families with low incomes to afford child care and to increase the quality of child care for all children. CCDF funds child care services in the 50 States, the District of Columbia, 5 Territories, and 264 Tribal organizations. Federal Fiscal year (FFY) 2026 enacted CCDF funding is \$12.381 billion awarded by formula to States, Territories, and Tribes. CCDF child care subsidies, primarily administered through vouchers, help working families with low incomes access child care that best meets their needs. In FFY 2023, the most recent year for which data is available, CCDF provided subsidies to more than 1.6 million children from 994,000 families each month.¹ CCDF also promotes the quality of child care for all children in care by requiring CCDF Lead Agencies to spend at least 12 percent of their CCDF funding each year on activities to improve child care quality. In FFY 2022, States spent \$2.9 billion on activities to improve the quality of child care and an additional \$477 million on improving the quality and supply of infant and toddler care.²

Congress last reauthorized the CCDBG Act in 2014 (Pub. L. 113–186), and HHS published regulations implementing the

new provisions of the Act in September 2016 (81 FR 67438). The 2016 regulations built on the priorities Congress included in the 2014 reauthorization. In July 2023, HHS proposed changes to a limited number of provisions in the CCDF regulations (88 FR 45022). The changes were codified in a final rule published by HHS in March 2024 (89 FR 15366).

Since publication of the March 2024 final rule, 55 of 56 States and Territories have requested and received two-year transitional and legislative waivers because they all needed additional time to implement at least one of the new requirements. Several States and Territories have shared with HHS that some of the requirements added in the March 2024 final rule are more costly and difficult to implement than HHS had estimated. More recently, 19 States have requested new transitional and legislative waivers for two additional years to implement the changes because of the high cost and extensive systems changes necessary to come into compliance.

In addition, States have expressed concerns about the increased potential for fraudulent payments associated with the requirements added in the March 2024 final rule. This concern is magnified by the fact that CCDF funding has risen significantly in recent years, from \$8.1 billion in FFY 2019 to \$12.4 billion in FFY 2026. This 50 percent increase in funding warrants appropriate accountability measures, including the prevention of any fraudulent payments. The 2020 Government Accountability Office (GAO) report *Child Care and Development Fund: Office of Child Care Should Strengthen Its Oversight and Monitoring of Program-Integrity Risks* (GAO–20–227) identified program integrity risks for CCDF, including the need to fully assess fraud risks.³ Every year, single audits identify findings for the CCDF program across the range of compliance requirements, including findings related to insufficient internal controls. To address increased focus on allegations of fraud, the President issued an Executive Order 14395 “Establishing the Task Force to Eliminate Fraud” to coordinate and accelerate a comprehensive national strategy to stop fraud, waste, and abuse within Federal benefit programs, including programs administered jointly with State, local, tribal, and territorial partners.⁴

In January 2026, HHS proposed to rescind the four most onerous requirements from the March 2024 final rule, including requirements to limit family co-payments to 7 percent of family income, to provide some direct services through grants or contracts, to pay child care providers prospectively, and to pay providers based on a child’s authorized enrollment. This final rule codifies those rescissions. These changes prioritize Lead Agency flexibility and align with the purposes of the Act. This final rule continues to allow States, Territories, and Tribes the option to implement these policies based on their own assessment of what works best for children, families, and child care providers in their communities and what best supports their ability to prevent fraud within the CCDF program.

By removing four overly prescriptive requirements, this final rule responds to Executive Order 14192, *Unleashing Prosperity through Deregulation* and restores State, Territory, and Tribal flexibility for designing and operating their CCDF programs as they deem most appropriate. Under this Executive Order, “It is the policy of the executive branch to be prudent and financially responsible in the expenditure of funds, from both public and private sources, and to alleviate unnecessary regulatory burdens placed on the American people.”

The final rule also responds to Secretary Robert F. Kennedy Jr.’s directive to “launch the most sweeping deregulatory initiative in the history of the Department” of Health and Human Services by “eliminating bureaucratic red tape and “aggressively deregulating to return the freedoms eroded over decades by unnecessary and burdensome regulations.” 90 FR 20394.

III. Executive Summary

This final rule rescinds four requirements added in the March 2024 final rule that are costly, burdensome, and overly prescriptive, especially compared to other block grant programs. As is standard with block grant programs, Lead Agencies continue to have the flexibility to implement the policies formerly required by the March 2024 final rule. All four rescissions apply to States and Territories. Only the repeal of the family co-payment limit applies to Tribal Lead Agencies, as Tribal Lead Agencies are already exempt from the requirements related to payment practices. Once this final rule takes effect, HHS will no longer require implementation of all rescinded requirements. Forthcoming guidance will outline the process HHS will follow to terminate existing transitional and

¹ <https://acf.gov/occ/data/fy-2023-preliminary-data-table-1>.

² <https://acf.gov/occ/data/ccdf-expenditures-overview-fy-2022-all-appropriation-years>.

³ https://www.gao.gov/products/gao-20-227#summary_recommend.

⁴ <https://www.federalregister.gov/documents/2026/03/19/2026-05497/establishing-the-task-force-to-eliminate-fraud>.

legislative waivers for rescinded requirements.

- Repeal the federally mandated cap on family co-payments at § 98.45(j)(3). This final rule removes the mandatory 7 percent cap that was imposed in the March 2024 final rule, and reverts to the previous requirement that matches the statutory language that co-payments cannot be a barrier to families receiving child care assistance. This change restores Lead Agency flexibility to decide how best to balance the trade-offs between reducing child care costs for families participating in CCDF and serving additional families with higher co-payments. According to FFY 2025–2027 CCDF State and Territory Plan data, as of March 2026, 31 states, the District of Columbia, and 5 territories currently limit co-payments to 7 percent or less of family income. Under this final rule, Lead Agencies may continue to set family co-payments to align with community needs.

- Repeal the requirement to use some grants or contracts for direct services at § 98.30(b)(1). The March 2024 final rule mandated States and Territories to use some grants or contracts to provide direct services for infants and toddlers, children with disabilities, and children in underserved geographic areas. This requirement is excessively prescriptive by mandating grants or contracts for particular populations and is difficult to implement. The stringent requirements mean that even some States that have a long history of using grants or contracts for direct services for the identified populations would have to make significant changes to meet the requirements of the March 2024 final rule. By repealing this requirement, HHS is ensuring that parents can use federal funding through vouchers or certificates to access the providers of their choice that will meet their unique needs.

- Repeal the requirement to pay child care providers prospectively at § 98.45(m)(1). The March 2024 final rule required provider payment in advance of or at the beginning of the delivery of service (*i.e.*, prospectively) with limited exceptions. This final rule rescinds this requirement and reverts to the option established in the 2016 final rule for States and Territories to pay providers prospectively or on a reimbursement basis. This change increases Lead Agency flexibility to develop payment policies that they believe best support program integrity and combat potential fraud in their CCDF programs. As required by the Act at Section 658E(c)(4)(B)(iv) (42 U.S.C. 9858c(c)(4)(B)(iv)), States and Territories must still ensure that child

care providers are paid in a timely manner, which is critical for providers to participate in CCDF and increases the options available to parents.

- Repeal the requirement to pay child care providers based on a child's enrollment rather than attendance at § 98.45(m)(2). The March 2024 final rule required States and Territories, with limited exceptions, to pay providers based on a child's authorized enrollment. This policy, once fully implemented, was estimated to cost \$16.5 million per year. With its repeal, States and Territories will have the opportunity to use more of their CCDF budget to provide direct services for eligible children. The change provides greater flexibility and multiple allowable options to meet the statutory requirement to delink provider payments from a child's occasional absences. States and Territories will also have increased flexibility to support program integrity and combat potential fraud in their CCDF programs.

Effective Dates

This final rule will become effective 60 days from the date of its publication.

Costs, Benefits, and Transfer Impacts

By rescinding four of the mandatory provisions added by the March 2024 final rule, this final rule will prevent the occurrence of the estimated transfers and costs reported in the 2024 Regulatory Impact Analysis (RIA), with the exception of the anticipated economic impacts in the first year. 89 FR 15400–11.

Over a 5-year time horizon covering 2025 through 2029, HHS estimates annualized transfers of \$23.4 million using a 3-percent discount rate and \$22.8 using a 7-percent discount rate; and annualized costs of \$6.7 million using a 3-percent discount rate and \$6.6 million using a 7-percent discount rate. Negative costs represent cost savings and negative transfers represent a reversal of the direction of transfers compared to the 2024 RIA. Transfers represent a shift in payments from one party to another but do not affect the total resources available to society. In this context, transfers under the March 2024 final rule represented a transfer of payments from parents and child care providers to Lead Agencies. By rescinding the policies from the March 2024 final rule, the transfers in this final rule now represent the transfer of payments from Lead Agencies to parents and child care providers.

To produce an estimate of cost savings under Executive Order 14192, HHS assumes the impacts of the proposed changes on costs in 2029 will

extend in perpetuity. HHS estimates that this final rule will generate \$6.1 million in annualized cost savings at a 7-percent discount rate, discounted relative to year 2024, in perpetuity.

Severability

The provisions of this final rule are intended to be severable, such that, in the event a court were to invalidate any particular provision or deem it to be unenforceable, the remaining provisions would continue to be valid. The changes address a variety of issues relevant to child care. None of the provisions in the final rule contained herein are central to an overall intent of the final rule, nor are any provisions dependent on the validity of other, separate provisions.

IV. Development of Regulation

Since publication of the March 2024 final rule, several States and Territories have reiterated to HHS that some of the requirements added in the March 2024 final rule are more costly and difficult to implement than HHS had estimated. This feedback has been shared through State and Territory CCDF plan appendices, in-person meetings and focus groups with CCDF administrators, and technical assistance inquiries. The changes in this final rule are informed by these concerns and designed to provide CCDF Lead Agencies with additional flexibility in administering their CCDF program.

HHS published a notice of proposed rulemaking (NPRM) in the **Federal Register** on January 5, 2026, (91 FR 207) proposing revisions to CCDF regulations. HHS provided a 30-day comment period during which interested parties could submit comments in writing electronically through *Regulations.gov* or via email to the Office of Child Care.

During the 30-day comment period, HHS received 1,244 comments from State human services and educational agencies; members of the U.S. Congress; national, State, and local early childhood and family-focused advocacy organizations, including research and policy organizations; labor unions; child care resource and referral agencies; and provider organizations. Child care providers, parents, and individual members of the public also submitted comments. Of the comments received, 1,138 were posted on *www.regulations.gov* and 106 were not posted because they contained inappropriate language or were not submitted in the English language. HHS also received several comments that are not addressed below because they were beyond the scope of the proposed

regulatory changes or were vague or incomplete.

Of the 1,138 comments posted on www.regulations.gov, 998 comments were unique and 246 comments were duplicate comments. Some national, State and local organizations and groups of child care providers coordinated to submit the same comment separately. Others submitted one comment signed by or on behalf of hundreds of individuals.

HHS received comments from seven State CCDF Lead Agencies: Georgia, Missouri, New Mexico, North Dakota, Ohio, Tennessee, and Texas. Individuals submitted 787 comments. Child care providers submitted 276 comments. Of the remaining comments, 57 comments came from national organizations, and 80 comments came from State and local organizations. HHS also received 3 comments from Congressional members or groups of members. A comment from Senator Jon Husted supported rescinding the requirement to pay providers based on enrollment. Comments from the Democratic Women's Caucus and a bicameral group of 74 Democratic Senators and Representatives were in opposition to the proposed changes.

At the conclusion of the public comment period, HHS analyzed the content of the comments to inform the development of this final rule. To support the analysis of public comments, HHS staff used a large language model, a type of artificial intelligence (AI), as a tool to conduct an initial scan of comment content, sentiment, and language. The AI output was thoroughly analyzed and refined by content experts. All comments were reviewed by content experts to determine each commenter's support or opposition towards the policies proposed in the NPRM.

Public comments reflected a range of perspectives, with commenters expressing support and opposition for the proposed rescissions. All comments were reviewed and informed the Department's consideration of the final rule.

Changes in this final rule affect the State, Territory, and Tribal agencies that administer the CCDF. HHS has and will continue to consult with State, Territory, and Tribal agencies and provide technical assistance throughout implementation.

This final rule maintains the structure and organization of the current CCDF regulations. The preamble in this final rule discusses the changes to current regulations. Where language of previous regulations remains unchanged, the preamble explanation and interpretation

of that language published with all prior final rules are also retained, unless specifically modified in the preamble to this rule. (See 57 FR 34352, Aug. 4, 1992; 63 FR 39936, Jul. 24, 1998; 72 FR 27972, May 18, 2007; 72 FR 50889, Sep. 5, 2007; 81 FR 67438, Sept. 30, 2016; 89 FR 15366 March 1, 2024).

V. General Comments and Cross-Cutting Issues

This final rule includes substantive changes in four key policy areas in the CCDF regulations. HHS received and reviewed comments on all the significant proposed changes. Following review of all comments, HHS has maintained all proposed changes from the NPRM. Specific comments are discussed in the section-by-section analysis later in this final rule.

Most of the State commenters and organizations that represent State and local human services agencies expressed overall support for the proposed rescissions, noting that the proposals would remove costly requirements and increase flexibility for Lead Agencies. One State expressed overall opposition to the NPRM, and a different State did not express support or opposition but requested clarification about whether States would continue to have the option to implement the policies proposed for rescission.

The majority of unique public comments opposed the changes proposed in the NPRM. Commenters who opposed the NPRM argued that the changes may make child care more costly for families, noting the importance of ensuring co-payments are not a barrier to child care access. Commenters also opposed the NPRM because they argued that the proposed changes to provider payment practices may not be consistent with private pay practices which could potentially hurt child care provider operations and lead providers to stop participating in the CCDF program.

Commenters also noted that many States and Territories had already started making policy and systems changes to implement the requirements included in the March 2024 final rule, including making costly systems investments that may not be easily undone. These commenters expressed concerns that the time and funding used for these changes would be wasted if the proposed changes were finalized.

HHS acknowledges concerns raised by commenters who opposed the NPRM but moves forward with rescinding the four requirements as proposed. This final rule does not prohibit any State or Territory from implementing the four rescinded requirements. Lead Agencies

that have already dedicated resources and made system changes to implement may continue to do so. The flexibility this final rule allows Lead Agencies to pause and reassess whether formerly required policies are the best way to meet the unique needs of the families, children, and providers in their State or Territory and not simply to meet federal requirements. HHS reiterates the importance for Lead Agency flexibility in developing CCDF policies that support child care affordability and provider payment practices that promote parental choice for CCDF-eligible families. HHS will continue its regular work of supporting CCDF Lead Agencies through guidance and technical assistance in partnership with the CCDF-funded Child Care Technical Assistance Network.

VI. Section-by-Section Discussion of Comments and Regulatory Provisions

HHS received comments about changes proposed to specific subparts of the regulation. Below, HHS identifies each subpart, summarizes the comments, and responds to them accordingly.

Subpart B—General Application Procedures

§ 98.16 Plan Provisions

Supply of child care. The final rule amends § 98.16(x), removes paragraphs (y) and (z), and redesignates § 98.16(aa) through (ll) to (y) through (jj) to conform with the changes described below in §§ 98.30 and 98.50 removing the requirement to use some grants or contracts for direct child care services. The change to § 98.16(x) restores language from the 2016 final rule that the CCDF Plan must: Identify shortages in the supply of high-quality child care providers; list the data sources used to identify supply shortages; and describe the method of tracking progress to support equal access and parental choice.

The amended language at § 98.16(x) is based on statutory language at Section 658E(c)(2)(M) of the Act (42 U.S.C. 9858c(c)(2)(M)), which requires the Lead Agency to describe strategies to increase the supply and improve the quality of child care services for children in underserved areas, infants and toddlers, children with disabilities, and children who receive care during nontraditional hours. As described in the Act, the strategies may include alternative payments rates to child care providers, the provision of direct contracts or grants to community-based organizations, offering child care certificates to parents, or other means

determined by the Lead Agency. In addition to alternative payment rates and contracts, Lead Agencies may consider other strategies, including training and technical assistance to child care providers to increase quality for these types of care.

Comment: HHS received comments supporting removal of the underlying requirement that Lead Agencies must use grants or contracts for some direct services. Commenters suggested options for descriptions and data points that should be required within the State and Territory CCDF Plans to demonstrate a Lead Agency's efforts to increase the supply and improve the quality of child care services for children in underserved areas, infants and toddlers, children with disabilities, and children who receive care during nontraditional hours, as required by the Act. Commenters also provided suggestions of data points that Lead Agencies should be required to provide in the CCDF Plan related to the supply of child care services for these specific populations of children.

Response: Prior to final publication of the CCDF Plan, draft versions of the document are published in the **Federal Register** with a request for public comment. Through those public comment periods, commenters can provide input on the draft Plan document, including any suggestions for additional information that should be collected from Lead Agencies.

Subpart D—Program Operations (Child Care Services) Parental Rights and Responsibilities

§ 98.30 Parental Choice

The final rule rescinds the requirement at § 98.30(b)(1) for States and Territories to provide some portion of the delivery of direct services via grants or contracts, including at a minimum for children in underserved geographic areas, infants and toddlers, and children with disabilities. This change restores State and Territory flexibility and does not impact a Lead Agency's ability to utilize grants or contracts for some direct child care services if they choose to do so. From the publication of the first CCDBG rules in 1992 until the March 2024 final rule, CCDF regulations provided for the option for Lead Agencies to provide some direct child care services through grants or contracts, while ensuring that all families must be offered the option to receive a child care certificate. The March 2024 final rule placed new and difficult mandates on State and Territory Lead Agencies to establish grants or contracts for some direct

services for particular populations. This final rule restores the flexibility for Lead Agencies that existed prior to the March 2024 final rule by removing the mandate for State and Territory Lead Agencies to provide at least some direct child care services through grants and contracts. The Act requires that a State or Territory CCDF Plan provide assurances that parents participating in CCDF be offered “the option either- to enroll such child with a child care provider that has a grant or contract for the provision of such services; or to receive a child care certificate.” 42 U.S.C. 9858c(c)(2)(A)(i). If a Lead Agency chooses to utilize grants or contracts for some direct child care services, the Lead Agency must continue to offer all families the option to receive a child care certificate for all CCDF-eligible children.

Comment: Commenters supporting the proposed changes argued that the requirement for Lead Agencies to use some grants or contracts for direct services would negatively impact parental choice, noting that child care vouchers or certificates provide the greatest amount of flexibility for families to locate and enroll their child with a child care provider that aligns with their child and family's needs. Those opposing the proposed changes raised concerns that the rescission of the requirement would limit parental choice to locate and enroll their child in a child care provider of their choosing due to child care supply constraints.

Response: HHS rescinds the requirement to use some grants or contracts for direct services for infants and toddlers, children with disabilities, and children in underserved geographic areas. Lead Agencies may continue, at their option, to contract for the provision of some direct child care services; however, parents must always be offered the option to receive CCDF child care through a child care certificate they can use for an eligible provider of their choosing. Parental choice is a central tenant of the Act and CCDF regulations. Within CCDF programs, the funding mechanism that allows the greatest degree of flexibility and parental choice is the use of child care vouchers or certificates. These certificates allow parents to select from any child care provider that accepts the Lead Agency's vouchers or certificates, allowing families to choose from a wider range of child care providers than just those with which the Lead Agency may have direct service grants or contracts. It is important for parents, especially parents of children of the identified populations who may need specialized care, to have maximum

flexibility to choose a provider that matches their unique needs and values.

Comment: Commenters also expressed support for the proposed rescission because the requirement to use some grants or contracts for direct services was overly prescriptive and difficult for States and Territories to implement.

Response: According to FFY 2025–2027 CCDF State and Territory Plan data, as of March 2026, only 7 States and 1 Territory have implemented grants or contracts for children with disabilities, 11 States and 1 Territory have implemented grants or contracts for infants and toddlers, and 10 States have implemented grants or contracts for children in underserved geographic regions. HHS is dedicated to ensuring maximum State flexibility in implementing CCDF, this final rule rescinds this burdensome requirement.

Comment: Those opposing the proposed changes raised concerns that the rescission of the requirement to use some grants or contracts for direct child care services for children in underserved geographic areas, infants and toddlers, and children with disabilities would limit parental choice because there may be a lack of the type of child care they need in their area, particularly for children with disabilities or in rural areas. Commenters noted that grants or contracts for direct services can be a useful tool in addressing these supply gaps.

Response: This final rule does not prohibit a State or Territory's from providing direct child care services through grants or contracts if the Lead Agency finds this funding mechanism a useful tool to address supply gaps. However, the requirement for providing some grants or contracts for direct child care services has thus far shown to be an expensive and complicated process for Lead Agencies to adopt, and inhibits their ability to provide direct child care services in the manner they determine to be best for their State or Territory's CCDF program.

Subpart E—Program Operations (Child Care Services) Lead Agency and Provider Requirements

§ 98.45 Equal Access

Demonstrating Affordable Co-Payments. The final rule makes a conforming change at § 98.45(b)(5) and removes the requirement for Lead Agencies to describe in their CCDF Plans how co-payments “do not exceed 7 percent of income for all families.” Lead Agencies are still required to demonstrate in their CCDF Plan how

their co-payments are based on a sliding fee scale and are not a barrier to families receiving CCDF assistance. The final rule conforming change aligns with the final rule rescission of the requirement at § 98.45(l)(3) to limit family co-payments to 7 percent of family income.

Comment: Commenters requested that States demonstrate that they considered the previous 7 percent benchmark or other regional economic data when establishing their sliding fee scales.

Response: CCDF regulations at § 98.45(b)(5) continue to require Lead Agencies to provide a summary of data and facts in their CCDF Plans describing how co-payments based on a sliding fee scale are affordable. The final rule restores flexibility to States to define affordability in a manner consistent with their State context, including using local or regional economic data to understand when co-payment amounts become barriers to families receiving CCDF assistance.

Family Co-payments. The final rule at § 98.45(l)(3) rescinds the requirement for States, Territories, and Tribes to establish co-payment policies for families that are “not to exceed 7 percent of income for all families, regardless of the number of children in care who may be receiving CCDF assistance.” Section 658E(c)(5) of the Act requires Lead Agencies to establish and periodically revise a sliding fee scale that provides for cost sharing (*i.e.*, co-payment) that is “not a barrier to families receiving” CCDF assistance. 42 U.S.C. 9858c(c)(5). The Act does not specify what constitutes “a barrier.” The final rule restores Lead Agency flexibility to decide how best to balance limited resources by having lower family co-payments and serving fewer families or having higher family co-payments and serving more families. According to FFY 2025–2027 CCDF State and Territory Plan data, as of March 2026, 37 Lead Agencies currently limit co-payments to 7 percent or less of a family’s income. These Lead Agencies have the flexibility to continue their established co-payment policies.

Comment: Commenters who supported this proposal emphasized State flexibility in establishing co-payment policies and agreed that Congress provided more flexibility in the statutory co-payment requirement than allowed under the 7 percent cap.

Response: Section 658E(c)(5) of the Act provides Lead Agencies flexibility in defining what constitutes “a barrier to families.” HHS has rescinded the requirement to cap family co-payments at 7 percent of a family’s income.

Comment: Commenters who supported the rescission noted that the 7

percent cap requirement posed fiscal and operational challenges for many States in absence of additional funding. Commenters also noted that repealing the federally mandated 7 percent cap would support the flexibility for States to manage their child care programs while adapting to changing budget limitations. Commenters also noted the implications of balancing affordable co-payments with available CCDF funding, especially given many States already face long child care waitlists.

Response: Implementing the 7 percent cap on family co-payments may cause difficult financial decisions for Lead Agencies. The final rule rescinds the requirement to cap family co-payments at 7 percent of family income and restores Lead Agency flexibility to determine a sliding fee scale that meets the CCDF requirement of not being “a barrier” to families receiving assistance within budget constraints.

Comment: Commenters who opposed this proposal to rescind the co-payment cap requested HHS retain the 7 percent cap requirement. Commenters noted that States are already implementing the 7 percent cap with a positive impact on families and child care. Commenters shared research and anecdotal information about the impact of reduced co-payments for families in their States.

Response: Lead Agencies continue to have the flexibility to limit co-payments to a percentage of family income. States currently implementing the 7 percent cap have the flexibility to continue to limit co-payments in this way. States also have the flexibility to limit co-payments based on a lower threshold to support affordability. Based on the FFY 2025–2027 CCDF State and Territory Plans, as of March 2026, 15 states and the District of Columbia currently limit family co-payments to 7 percent of family income and 16 States and 5 Territories cap co-payments at a level less than 7 percent (*e.g.*, limit co-payments to 1 percent of family income).

Comment: Commenters who opposed the proposal argued that removing the 7 percent cap would be detrimental for families due to child care affordability and access concerns, especially coupled with general rising cost of living. Commenters noted that eliminating affordability parameters for families receiving CCDF subsidies may open the door to increased co-payments that can impede the intended purpose of the law to best meet the needs of children and parents, (42 U.S.C. 9857(b)(1)).

Response: Lead Agencies continue to be required to establish sliding fee scales that are not a “barrier to families receiving assistance.” Lead Agencies

have the flexibility to take into account general rising cost of living for families receiving CCDF when developing their cost sharing and sliding fee scale policies.

Comment: Commenters who opposed the proposal highlighted the implications rescinding the 7 percent cap may have on provider stability and parental choice for CCDF families if high co-payments result in families needing to disenroll children from providers.

Response: Lead Agencies continue to have the flexibility to develop cost-sharing and sliding fee policies that support affordability and allow families to choose providers that best meet their preferences and child care needs. HHS encourages Lead Agencies to exercise their flexibility to ensure any changes in family co-payments does not impact the availability of providers and parent choice.

Comments: Commenters noted that the NPRM did not address whether HHS would be recommending a benchmark for co-payments. Both those who supported and opposed the proposal expressed concerns about how Lead Agencies would ensure that co-payments were not a barrier to accessing child care assistance without a required or recommended level. Commenters suggested that HHS reinstate the 7 percent recommended benchmark established in the preamble to the 2016 final rule.

Commenters noted the benefit of HHS conducting a comprehensive study to better understand child care affordability in today’s market and questioned the validity of the 7 percent co-payment benchmark for affordability included in the 2016 final rule. Commenters from various States offered specific and local data on affordable co-payments and general child care affordability.

Response: HHS will not be recommending a benchmark for co-payments at this time. The optional Federal benchmark for family co-payments of no more than 7 percent of family income established in the preamble to the 2016 final rule was based on 2011 data from a U.S. Census Bureau report that showed families, on average, spent 7 percent of income on child care. 81 FR 67467–68. These data are outdated and therefore cannot be used to support a new national recommendation. HHS may conduct research on how co-payments impact a family’s access and participation in CCDF to inform potential future recommendations.

Comment: Commenters argued that States should be discouraged from

increasing co-payment amounts above current levels for families unless an evidence-based benchmark is established. Commenters noted that States should be encouraged to adopt policies that take into account affordability for families with multiple children in care.

Response: HHS may conduct research to examine affordability in child care and affordable co-payments. Lead Agencies have the flexibility to develop cost-sharing policies to ensure affordability when multiple children are in care. The rescission of the 7 percent cap restores Lead Agency flexibility to make cost sharing and sliding fees policies that balance affordability and funding availability.

Payment Practices. This final rule makes key changes at § 98.45(m) to restore Lead Agency flexibility regarding CCDF payment practices.

Timely Payments to Providers. This final rule repeals the requirement at § 98.45(m)(1) that Lead Agencies pay CCDF child care providers in advance of or at the beginning of delivery of services (*i.e.*, prospectively). This change restores Lead Agency flexibility regarding the timing of payments to CCDF providers and provides Lead Agencies with the option to pay providers prospectively or on a reimbursement basis. As required by the Act at Section 658E(c)(4)(B)(iv) (42 U.S.C. 9858c(c)(4)(B)(iv)), States and Territories must still ensure that child care providers are paid in a timely manner. When child care providers are not paid in a timely manner, they may choose not to participate in the CCDF program, which can limit child care options for parents. Therefore, the final rule requires Lead Agencies to either pay child care providers prospectively or to reimburse child care providers within 21 days of receiving a completed invoice.

Comments: Commenters who supported the proposed rescission emphasized the need for increased flexibility for Lead Agencies. They noted that timely payments were important, but that there were other ways to ensure this while allowing some State discretion in policymaking that balances supporting providers and families with program integrity and accountability.

Response: This final rule rescinds the requirement to pay providers prospectively, restoring Lead Agency flexibility to pay CCDF providers within a timeframe that works best for families and providers in their individual State or Territory, while also ensuring sound stewardship of taxpayer dollars.

Comments: Commenters who opposed the proposed rescission argued that prospective payment is more in line with the private pay child care market and is a stabilizing practice for child care providers that are predominantly small businesses. More specifically, commenters said that delayed payments make it difficult to cover fixed costs, such as payroll and other operating expenses, in a timely manner.

Response: Rescinding the requirement to pay providers prospectively does not prohibit this payment practice. Lead Agencies continue to have the flexibility to pay providers prospectively if the payment practice meets the needs of their individual State or Territory. As of March 2026, nine Lead Agencies have implemented policies to pay all child care providers prospectively, per the FFY 2025–2027 CCDF State and Territory Plans. Ensuring timely provider payments is a statutory requirement and is important for parent choice as it relates to the impact on providers' businesses and the availability of child care providers. Moving forward, HHS intends to strengthen monitoring and oversight of the requirement to pay providers within 21 days in order to ensure payments to providers are timely, while maintaining State flexibility in administration of CCDF programs.

Comment: HHS requested comments in the NPRM on the appropriate timeframe for providers to receive payment after submitting a completed invoice. All commenters who responded voiced support for a timeframe shorter than 21 days, but specific comments varied from general support to more specific timeframes such as three days or 14 days.

Response: HHS considered commenters' suggestions and has decided to maintain the proposed 21-day payment requirement as a minimum standard, while restoring Lead Agency flexibility to pay providers prospectively or on a reimbursement basis.

Delinking Payments from Absences. The final rule repeals the requirement at 45 CFR 98.5(m)(2) that State and Territory Lead Agencies pay child care providers based on a child's authorized enrollment. This change restores Lead Agencies' flexibility to implement options to meet the statutory requirement to support the fixed costs of providing child care services by delinking provider payment rates from an eligible child's occasional absences due to holidays or unforeseen circumstances such as illness, to the extent practicable. Under the final rule, Lead Agencies may meet this statutory

requirement by: (1) Paying providers based on a child's enrollment, rather than attendance; (2) providing a full payment to providers as long as a child attends for 85 percent of the authorized time; (3) providing full payment to providers as long as a child is absent for five or fewer days in a four week period; or (4) establishing an alternative approach justified in the CCDF Plan. According to FFY 2025–2027 CCDF State and Territory Plan data, as of March 2026, 29 Lead Agencies currently pay providers based on authorized child enrollment. These Lead Agencies have the flexibility to continue their established payment policies.

HHS reminds Lead Agencies that regardless of the approach a Lead Agency takes to delink payments from an eligible child's absences, Lead Agencies are required to ensure integrity and accountability through implementing processes to ensure sound fiscal management, identify areas of risk, train Lead Agency staff and other agency staff about program requirements and integrity, and regularly evaluate internal control activities (§ 98.68). All Lead Agencies are strongly encouraged to collect and review provider attendance and billing records, conduct quality control or quality assurance reviews, and swiftly enforce corrective actions and penalties when violations occur.

Comment: Commenters supported the proposal to rescind the requirement to pay providers based on authorized enrollment and argued that Lead Agencies should retain their flexibility to design and operate their CCDF programs as they deem most appropriate. These commenters further argued that HHS lacked the authority to restrict Lead Agencies to only one approach.

Response: The final rule maintains the language in the NPRM that restores additional flexibilities for States, Territories, and Tribes to continue to have the option to adopt payment policies based on their own assessment of what works best for children, families, and child care providers in their communities.

Comment: HHS received comments generally opposed to the practice of paying providers based on enrollment. These commenters described the unintended consequences of the practice, including increasing child care costs, program integrity concerns, and ability to combat potential fraud. In addition, commenters recommended removing the option that States delink absences from provider payments thereby ensuring that payments are made only for services provided.

Response: It is important for Lead Agencies to have flexibility to implement payment practices that they believe best support program integrity and combat potential fraud within their CCDF programs. This final rule allows Lead Agencies the option to reimburse child care services based on attendance. Section 658E(c)(2)(S) of the Act requires States to implement enrollment and eligibility policies that support the fixed costs of providing child care services by delinking provider reimbursement rates from an eligible child's occasional absences due to holidays or unforeseen circumstances such as illness, to the extent practicable. The final rule allows Lead Agencies to implement practices other than paying providers based on enrollment and is consistent with the requirement in the Act.

Comment: HHS received comments concerned with ensuring that Lead Agencies implement provider payment practices that safeguard against improper or fraudulent payments. While some commenters had reservations that paying providers based on enrollment was transparent enough to employ such safeguards, other commenters encouraged Lead Agencies to implement robust controls regardless of their payment practices.

Response: HHS is dedicated to ensuring that CCDF funds are spent providing child care to eligible children attending eligible child care providers. As discussed above, Lead Agencies must take steps to address improper payments and fraud. Lead Agencies that choose to pay child care providers based on enrollment are strongly encouraged to collect attendance records to ensure that the child still needs care and that the child care provider is operating within CCDF requirements.

Comment: Commenters opposed to the proposal described enrollment-based payment as the best approach to ensure providers' financial stability and ability to meet the expenses of their fixed operational costs. They argued that it is a generally accepted practice among families paying for child care privately to pay a fixed fee to providers based on enrollment regardless of a child's daily attendance. Commenters maintained that providers opt out of participating in CCDF when they are not paid based on enrollment. In addition, commenters warned that providers who are unwilling or unable to absorb the loss of income due to a child's absence may pass those costs to families.

Response: This final rule does not prohibit a Lead Agency's ability to pay providers based on a child's authorized enrollment, and Lead Agencies that currently pay providers based on

enrollment may continue to do so. Section 658E(c)(2)(S)(ii) of the Act requires Lead Agencies to delink payments from occasional absences. This final rule reinstates Lead Agencies' flexibility to adopt policies based on their own assessment of what works best for children, families, and child care providers in their communities.

Comment: HHS requested comments in the NPRM on the appropriate number of paid absence days or attendance rates to ensure providers participate in the CCDF program to support parental choice, while ensuring Lead Agency flexibility. HHS received a range of recommendations on the appropriate number of paid absence days and attendance rates. Commenters also recommended that the paid absences be applied at the provider level rather than the child level so that one provider's payment would not be affected by a child's absences with a secondary provider. In addition, commenters recommended that any allowable absence policy be aligned with health and safety standards that may result in a child's chronic absenteeism.

Response: This final rule maintains the options proposed in the NPRM, including the options to provide full payment to providers as long as a child is absent for five or fewer days in a four week period or attends for 85 percent of the authorized time. Lead Agencies retain the flexibility to implement more generous absence policies that pay providers the full payment if a child has more than five absences.

Restructuring to Align with Previous Regulations. This final rule revises § 98.45 to revert to the paragraph structure of the 2016 final rule. First, the final rule moves language from the introduction at § 98.45(m) requiring provider payment practices to reflect generally accepted payment practices to § 98.45(m)(3). This change aligns with regulatory language in the 2016 final rule, which included this text when describing the requirement to pay providers based on a part-time or full-time basis and to pay for reasonable mandatory fees. This paragraph structure change does not change requirements related to paying providers on a part-time or full-time basis or to pay for reasonable mandatory fees.

Second, the final rule removes unnecessary language at § 98.45(n)(4) that indicates Lead Agencies are able to take "precautionary measures when a provider is suspected of fiscal mismanagement." This language was added in the March 2024 rule to reinforce that States and Territories could choose not to pay a provider

prospectively and based on enrollment if that provider was suspected of fraud. States and Territories already had, and continue to have, the responsibility to take actions when a provider has been suspected of fraud. Lead Agencies have sufficient flexibility in the revised regulatory language for payment practices to adjust payment policies in response to suspected provider fraud. Therefore, HHS has removed this redundant provision. Lastly, the final rule removes paragraphs § 98.45(n)(4) and (5), combine § 98.45(m)(3) and (4) under a revised § 98.45(m)(3), and redesignate the provisions at § 98.45(n)(1)–(3) as § 98.45(m)(4)–(6).

HHS did not receive comments on these technical changes.

Clarification on Total Payment to Providers. The final rule removes language at § 98.45(n)(5) to require States and Territories to demonstrate in their CCDF Plan that the total payment to a provider (subsidy payment amount and family co-payment) is not impacted by cost-sharing policies. This clarification was included in the March 2024 final rule in response to comments on the requirement at § 98.45(l)(3) to limit family co-payments to 7 percent of family income and concerns that reductions in family co-payments could reduce the amount received by child care providers. Given that the final rule rescinds the requirement for States and Territories to limit family co-payments to 7 percent of family income, this clarification is no longer needed.

Comments: Commenters opposed the removal of language at § 98.45(n)(5). Commenters argued that removing the requirement for Lead Agencies could weaken transparency and public oversight and discourage provider participation and ultimately reduce access for families. Commenters also asserted that providers should not be expected to effectively subsidize lower costs for families due to reduced payments.

Response: This final rule removes the language at § 98.45(n)(5). HHS reminds Lead Agencies that the Act requires Lead Agencies to set payment rates at levels that provide CCDF families equal access to child care services that are comparable to care provided to children whose parents are not eligible for CCDF. 42 U.S.C. 9858c(c)(4)(A). Under CCDF, payments to providers are a combination of the Lead Agency share and the parent share (*i.e.*, co-payment). HHS encourages Lead Agencies to exercise their flexibility in setting payment rates to ensure co-payment policies do not result in decreases in total payment to providers.

Subpart F—Use of Child Care and Development Funds

§ 98.50 Child Care Services

The final rule makes conforming changes to § 98.50(a)(3) and (b) that align with the rescission of the requirement in § 98.30(b) discussed earlier in this preamble, which required States and Territories to use grants or contracts for some direct child care services for children in underserved geographic areas, infants and toddlers, and children with disabilities. This final rule revises § 98.50(a)(3) by deleting “including grants or contracts for slots for children in underserved geographic areas, for infants and toddlers, and children with disabilities. Grants solely to improve the quality of child care services like those in (b) of this section would not satisfy the requirements at § 98.30(b).” The final rule also revises § 98.50 (b) by deleting (b)(4) completely. This provision is no longer relevant due to the changes in § 98.30(b) to remove the requirement to utilize grants or contracts for some direct child care services.

Comment: HHS received comments that supported the proposed rescission of the requirement to utilize grants or contracts for some direct child care services but requested clarification on the continued allowability of utilizing CCDF funds to implement grants or contracts to provide some direct services and utilization of grants for general child care supply-building activities.

Response: Lead agencies may continue, at their option, to utilize CCDF funding to implement grants or contracts for some direct child care

services; however, they are no longer required to do so. Lead Agencies may also continue to use CCDF funding to provide grants to child care providers that do not involve the provision of direct services, such as grants to assist with start-up funds for new child care providers.

Subpart I—Indian Tribes

This subpart addresses requirements and procedures for Indian Tribes and Tribal organizations applying for or receiving CCDF funds and serves as the Tribal summary impact statement as required by Executive Order 13175.⁵ The amendments in this subpart are conforming changes and do not change requirements for Tribal CCDF Lead Agencies.

§ 98.81 Application and Plan Procedures and § 98.83 Requirements for Tribal Programs

Paragraphs 98.81(b)(6) and 98.83(d)(1) specify from which provisions all Tribal Lead Agencies are exempted. All Tribal Lead Agencies were already exempted from the previous requirement to provide some direct services through grants or contracts. Because this final rule rescinds the requirements for States and Territories to provide services through grants or contracts, the provisions exempting Tribal Lead Agencies from the requirement are no longer necessary. Therefore, this final rule removes §§ 98.81(b)(6)(x), 98.83(d)(1)(i), and 98.83(d)(1)(x).

HHS did not receive comments on these conforming changes.

The final rule does not amend § 98.83(d)(1)(vi), which exempts all Tribal Lead Agencies from the

requirement for a sliding fee scale at § 98.45(I). However, as discussed above, the change removes the requirement for Tribal Lead Agencies with medium and large allocations that choose to implement cost-sharing and require family co-payments for their CCDF programs to cap family co-payments to 7 percent of the family’s income. Tribes with small allocations were already exempt from the requirement to limit family co-payments to 7 percent of income. With this final rule, all Tribal Lead Agencies now have maximum flexibility in establishing those co-payment amounts.

VII. Regulatory Process Matters

Paperwork Reduction Act

Under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*, as amended) (PRA), all Departments are required to submit to the Office of Management and Budget (OMB) for review and approval any reporting or recordkeeping requirements inherent in a proposed or final rule. As required by this Act, HHS will submit any proposed revised data collection requirements to OMB for review and approval.

The final rule modifies the previously approved ACF–118 CCDF State and Territory Plan information collection, but HHS has not yet initiated the OMB approval process to implement these changes. HHS will publish **Federal Register** notices soliciting public comment on specific revisions to this information collection and the associated burden estimates and will make available the proposed form and instructions for review.

CCDF title/code	Relevant section in the proposed rule	OMB control No.	Expiration date	Description
ACF–118 (CCDF State and Territory Plan).	§§ 98.16 (and related provisions) ..	0970–0114	03/31/2027	The final rule rescinds requirements which States and Territories are required to report in the CCDF Plans.

The table below provides current approved annual burden hours and

estimated annual burden hours for the existing information collection that is modified by this final rule.

⁵ <https://www.federalregister.gov/documents/2000/11/09/00-29003/consultation-and-coordination-with-indian-tribal-governments>.

ANNUAL BURDEN ESTIMATES

Instrument	Total number of respondents	Total number of responses per respondent	Current approved average burden hours per response	Current annual burden hours	Estimated average burden hours per response based on final rule	Estimated annual burden hours based on final rule
ACF-118 (CCDF State and Territory Plan)	56	0.33	150	2,800	150	2,800

HHS did not receive any public comments on these burden estimates, which were included in the NPRM.

Executive Order 13132

Executive Order 13132 requires federal agencies to consult with State and local government officials if they develop regulatory policies with federalism implications. Federalism is rooted in the belief that issues that are not national in scope or significance are most appropriately addressed by the level of government close to the people. This rule does not have substantial direct impact on the States, on the relationship between the federal government and the States, or on the distribution of power and responsibilities among the various levels of government. This rule does not pre-empt State law. In large part, the changes included in the final rule are adopting practices already implemented by many States or are increasing flexibilities in administering the CCDF program. Therefore, in accordance with section 6 of Executive Order 13132, it is determined that this action does not have sufficient federalism implications to warrant the preparation of a federalism summary impact statement.

Assessment of Federal Regulations and Policies on Families

Assessment of Federal Regulations and Policies on Families Section 654 of the Treasury and General Government Appropriations Act of 2000 requires federal agencies to determine whether a policy or regulation may negatively affect family well-being. If the agency determines a policy or regulation negatively affects family well-being, then the agency must prepare an impact assessment addressing seven criteria specified in the law. HHS believes it is not necessary to prepare a family policymaking assessment (see Pub. L. 105-277) because the action taken in this final rule will not have any impact on the autonomy or integrity of the family as an institution.

VIII. Regulatory Impact Analysis

Introduction

HHS has examined the impacts of the final rule under Executive Order 12866,

Executive Order 13563, Executive Order 14192, the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531 *et seq.*), and the Congressional Review Act (5 U.S.C. 801 *et seq.*, Pub. L. 104-121).

Executive Orders 12866 and 13563 direct us to assess all benefits and costs of available regulatory alternatives and, when regulation is necessary, to select regulatory approaches that maximize net benefits. The Office of Information and Regulatory Affairs (OIRA) has determined that this final rule is significant under Section 3(f) of Executive Order 12866 and that it does not meet the criteria set forth in 5 U.S.C. 804(2) under the Congressional Review Act. Executive Order 14192 requires that any new incremental costs associated with significant new regulations “shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least ten prior regulations.” This final rule is considered an E.O. 14192 deregulatory action. HHS estimates that this final rule will generate \$6.1 million in annualized cost savings at a 7 percent discount rate, discounted relative to year 2024, over a perpetual time horizon.

The Regulatory Flexibility Act (RFA) requires agencies to consider the impact of their regulatory proposals on small entities. The January 5, 2026 NPRM proposed regulatory changes that would provide additional flexibility to States, Territories, and Tribes. The proposed changes would not have a direct impact on small entities. However, removing the requirement to pay child care providers based on authorized enrollment may have an indirect impact on some small child care centers and family child care homes that participate in CCDF. The extent of this indirect impact would depend on whether States, Territories, and Tribes choose to pay based on enrollment or attendance. HHS estimates this indirect impact will be less than 1 percent of total CCDF funding that is paid to child care providers each year. HHS calculated the impact by comparing the \$8.8 million annual transfer from child care providers to States and Territories for

enrollment-based payments (discussed in more detail in the Summary of Economic Impacts) to the annual amount of CCDF funding paid to child care providers for direct services, \$11.408 billion in FY 2022⁶ (the most recent year for which data are available). Thus, our analysis concludes that the indirect impacts of the final rule will be lower than 3 percent of the annual revenue of a potentially impacted small entities, corresponding to HHS’s default threshold of a “significant economic impact” in the context of the analytic requirements of the Regulatory Flexibility Act.

The Secretary certified that the January 5, 2026, proposed rule would not have a significant economic impact on a substantial number of small entities. HHS did not receive any public comments that raised issues with that certification, nor did we receive any comments that would cause us to assess any additional impacts that might be relevant to the analytical requirements of the RFA. This final rule maintains the changes proposed in the NPRM. Thus, the Secretary certifies that this final rule will not have a significant economic impact on a substantial number of small entities.

The Unfunded Mandates Reform Act of 1995 (UMRA) generally requires that each agency conduct a cost-benefit analysis; identify and consider a reasonable number of regulatory alternatives; and select the least costly, most cost-effective, or least burdensome alternative that achieves the objectives of the rule before promulgating any proposed or final rule that includes a Federal mandate that may result in expenditures of more than \$100 million (adjusted for inflation) in at least one year by State, local, and Tribal governments, in the aggregate, or by the private sector. Each agency issuing a rule with relevant effects over that threshold must also seek input from State, local, and Tribal governments. The current threshold after adjustment for inflation is \$193 million, using the most current (2025) Implicit Price Deflator for the Gross Domestic Product.

⁶ <https://acf.gov/occ/data/ccdf-expenditures-overview-fy-2022-all-appropriation-years>.

This final rule will not result in an expenditure in any year that meets or exceeds this amount.

Background and Summary of Economic Impacts

On July 13, 2023, HHS published a notice of proposed rulemaking (NPRM) that proposed revisions to Child Care and Development Fund (CCDF) regulations.⁷ After considering the public comments, on March 1, 2024, HHS published a final rule that made regulatory changes to CCDF (“March 2024 final rule”),⁸ which contained a regulatory impact analysis (2024 RIA) that reported monetary estimates of the

economic impacts. On January 5, 2026, HHS published an NPRM (“Restoring Flexibility in the Child Care and Development Fund”) that proposed rescinding specific provisions of the March 2024 final rule. This NPRM included a regulatory impact analysis that detailed the economic impact of these rescissions. Following the public comment period HHS is publishing this final rule, which rescinds four of the mandatory provisions of the March 2024 final rule including those relating to enrollment-based payment, 7 percent cap on co-payments, prospective payments, and grants or contracts for direct services. As a starting point for

analyzing the impact of this final rule, HHS adopted the estimated economic impacts in the March 2024 final rule as capturing the baseline scenario of no further regulatory action. This approach follows our methodology for assessing the impacts of the January 5, 2026 NPRM. Table 1 reports yearly transfers and costs associated with the relevant requirements of the March 2024 final rule.⁹ While the prospective payments policy does not appear as a separate line item in this analysis, its impacts were accounted for in the “systems” cost estimate included in the March 2024 final rule.

TABLE 1—RELEVANT REQUIREMENTS IN THE MARCH 2024 FINAL RULE, TRANSFERS AND COSTS
[In millions]

Transfers by Year	2025	2026	2027	2028	2029
Enrollment-based Payment	\$8.8	\$8.8	\$17.5	\$17.5	\$17.5
7% Co-Payment Cap	8.4	8.4	16.7	16.7	16.7
Total Transfers	17.2	17.2	34.2	34.2	34.2
Costs by Year	2025	2026	2027	2028	2029
Grants and Contracts	\$3.3	\$3.3	\$6.5	\$6.5	\$6.5
Systems	10.9	10.9	0.0	0.0	0.0
Total Costs	14.2	14.2	6.5	6.5	6.5

By rescinding specific regulations added by the March 2024 final rule, this Restoring Flexibility in the Child Care and Development Fund final rule would prevent the occurrence of the estimated transfers and costs reported in the 2024 RIA, with the exception of the anticipated economic impacts in the first year. For the purposes of this analysis, HHS assumes those impacts have already occurred and cannot be

recovered or did not occur as the result of a temporary transitional waiver of the requirements granted to some States. Thus, when considering the economic impacts of this final rule, HHS does not report any impacts on transfers or costs in 2025. In subsequent years, HHS reports the inverse of the monetary estimates identified in Table 1 as the impacts of the final rule. Table 2 reports these estimates, where negative costs

represent cost savings, and negative transfers represent a reversal of the direction of transfers compared to the 2024 RIA. In this context, transfers under the March 2024 final rule that represented increases in Lead Agency payments to child care providers represent reductions in Lead Agency payments to child care providers.

TABLE 2—ECONOMIC IMPACTS OF THE FINAL RULE CHANGES
[In millions]

Year	2025	2026	2027	2028	2029
Total Transfers	\$0.0	–\$17.2	–\$34.2	–\$34.2	–\$34.2
Total Costs	0.0	–14.2	–6.5	–6.5	–6.5

Over a 5-year time horizon covering 2025 through 2029, HHS estimates annualized transfers of \$23.4 million using a 3-percent discount rate and \$22.8 using a 7 percent discount rate;

and annualized costs of \$6.7 million using a 3-percent discount rate and \$6.6 million using a 7 percent discount rate. To produce an estimate of cost savings under E.O. 14192, HHS assumes the

impacts of the changes on costs in 2029 will extend in perpetuity. HHS estimates that this final rule will generate \$6.1 million in annualized cost savings at a 7 percent discount rate,

⁷ Office of Child Care, Administration for Children and Families, Department of Health and Human Services. July 13, 2023. “Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF)” notice of proposed rulemaking. **Federal Register**. 88 FR 45022.

⁸ Office of Child Care, Administration for Children and Families, Department of Health and Human Services. March 1, 2024. “Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF)” final rule. **Federal Register**. 89 FR 15366.

⁹ These estimates replicate Table 3 of the 2024 RIA, with all dollar values adjusted to 2024 dollars using the GDP deflator. Bureau of Economic Analysis. National Income and Product Accounts. Table 1.1.9. Implicit Price Deflators for Gross Domestic Product. April 30, 2025 revision.

discounted relative to year 2024, in perpetuity.

IX. Tribal Consultation Statement

Executive Order 13175, Consultation and Coordination with Indian Tribal Governments, requires agencies to consult with Indian Tribes when regulations have substantial direct effects on one or more Indian tribes, on the relationship between the federal government and Indian tribes, or on the distribution of power and responsibilities between the federal government and Indian tribes. The discussion in subpart I in section IV of the preamble serves as the Tribal impact statement.

(Catalog of Federal Domestic Assistance Program Number 93.575, Child Care and Development Block Grant; 93.596, Child Care Mandatory and Matching Funds)

List of Subjects in 45 CFR Part 98

Child care, Grant programs—social programs.

For the reasons set forth in the preamble, we amend 45 CFR part 98 as follows:

PART 98—CHILD CARE AND DEVELOPMENT FUND

- 1. The authority citation for part 98 is revised to read as follows:

Authority: 42 U.S.C. 618, 9857 *et seq.*

- 2. Amend § 98.16 by:
 - a. Revising paragraph (x);
 - b. Removing paragraphs (y) and (z);
 - c. Redesignating paragraphs (aa) through (ll) as paragraphs (y) through (jj); and,
 - d. Revising newly redesignated paragraph (cc).

The revisions read as follows:

§ 98.16 Plan provisions.

(x) A description of the Lead Agency's strategies (which may include alternative payment rates to child care providers, the provision of direct grants or contracts, offering child care certificates, or other means) to increase the supply and improve the quality of child care services for children in underserved areas, infants and toddlers, children with disabilities as defined by the Lead Agency, and children who receive care during nontraditional hours, including whether the Lead Agency plans to use grants and contracts in building supply and how supply-building mechanisms will address the needs identified. The description must identify shortages in the supply of high-quality child care providers, list the data sources used to identify shortages, and describe the

method of tracking progress to support equal access and parental choice. If the Lead Agency chooses to employ grants and contracts to meet the purposes of this section, the Lead Agency must provide CCDF families the option to choose a certificate for the purpose of acquiring care;

* * * * *

(cc) A description of payment practices applicable to providers of child care services for which assistance is provided under this part, pursuant to § 98.45(m), including practices to ensure timely payment for services, to delink provider payments from children's occasional absences to the extent practicable, and to reflect generally-accepted payment practices;

* * * * *

- 3. Amend § 98.30 by revising paragraph (b) to read as follows:

§ 98.30 Parental choice.

* * * * *

(b) When a parent elects to enroll the child with a provider that has a grant or contract for the provision of child care services, the child will be enrolled with the provider selected by the parent to the maximum extent practicable.

* * * * *

- 4. Amend § 98.45 by:

- a. Revising paragraphs (b)(5), (l)(3), and (m); and

- b. Removing paragraph (n).

The revisions read as follows:

§ 98.45 Equal access.

* * * * *

(b) * * *

(5) How co-payments based on a sliding fee scale are affordable, as stipulated at paragraph (l) of this section; if applicable, a rationale for the Lead Agency's policy on whether child care providers may charge additional amounts to families above the required family co-payment, including a demonstration that the policy promotes affordability and access; analysis of the interaction between any such additional amounts with the required family co-payments, and of the ability of subsidy payment rates to provide access to care without additional fees; and data on the extent to which CCDF providers charge such additional amounts (based on information obtained in accordance with paragraph (d)(2) of this section);

* * * * *

(l) * * *

(3) Provides for affordable family co-payments that are not a barrier to families receiving assistance under this part; and

* * * * *

(m) The Lead Agency shall demonstrate in the Plan that it has established payment practices applicable to all CCDF child care providers that:

(1) Ensure timeliness of payment by either:

(i) Paying prospectively prior to the delivery of services; or

(ii) Paying within no more than 21 calendar days of the receipt of a complete invoice for services.

(2) To the extent practicable, support the fixed costs of providing child care services by delinking provider payments from a child's occasional absences by:

(i) Paying based on a child's enrollment rather than attendance;

(ii) Providing full payment if a child attends at least 85 percent of the authorized time;

(iii) Providing full payment if a child is absent for five or fewer days in a month; or,

(iv) An alternative approach for which the Lead Agency provides a justification in its Plan.

(3) Reflect generally accepted payment practices of child care providers that serve children who do not receive CCDF subsidies, which must include (unless the Lead Agency provides evidence that such practices are not generally-accepted in the State or service area):

(i) Paying on a part-time or full-time basis (rather than paying for hours of service or smaller increments of time); and

(ii) Paying for reasonable mandatory registration fees that the provider charges to private-paying parents.

(4) Ensure child care providers receive payment for any services in accordance with a written payment agreement or authorization for services that includes, at a minimum, information regarding payment policies, including rates, schedules, any fees charged to providers, and the dispute resolution process required by paragraph (m)(6) of this section.

(5) Ensure child care providers receive prompt notice of changes to a family's eligibility status that may impact payment, and that such notice is sent to providers no later than the day the Lead Agency becomes aware that such a change will occur.

(6) Include timely appeal and resolution processes for any payment inaccuracies and disputes.

- 5. Amend § 98.50 by:

- a. Revising paragraph (a)(3); and

- b. Removing paragraph (b)(4).

The revision reads as follows:

§ 98.50 Child care services.

(a) * * *

(3) Using funding methods provided for in § 98.30; and

* * * * *

■ 6. Amend § 98.81 by:

■ a. Removing paragraph (b)(6)(x);

■ b. Redesignating paragraphs (b)(6)(xi) and (xii) as paragraphs (b)(6)(x) and (xi); and,

■ c. Revising newly redesignated paragraph (b)(6)(xi).

The revision reads as follows:

§ 98.81 Application and Plan procedures.

* * * * *

(b) * * *

(6) * * *

(xi) The description of provider payment practices at § 98.16(cc).

* * * * *

§ 98.83 [Amended]

■ 7. Amend § 98.83 by:

■ a. Removing paragraphs (d)(1)(i) and (x); and

■ b. Redesignating paragraphs (d)(1)(ii) through (xiv) as paragraphs (d)(1)(i) through (xii).

Robert F. Kennedy, Jr.,
Secretary, Department of Health and Human Services.

[FR Doc. 2026-09382 Filed 5-11-26; 8:45 am]

BILLING CODE 4184-87-P

Proposed Rules

Federal Register

Vol. 91, No. 91

Tuesday, May 12, 2026

This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA-2026-4634; Project Identifier MCAI-2024-00508-T]

RIN 2120-AA64

Airworthiness Directives; Airbus Canada Limited Partnership (Type Certificate Previously Held by C Series Aircraft Limited Partnership (CSALP); Bombardier, Inc.) Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: The FAA proposes to supersede Airworthiness Directive (AD) 2022-25-05, which applies to certain Airbus Canada Limited Partnership Model BD-500-1A10 and BD-500-1A11 airplanes. AD 2022-25-05 requires repetitive cleaning and greasing of all slat tracks to prevent damage or corrosion; doing repetitive inspections of the slat tracks for any damage or corrosion, and the correct application of grease; and applicable corrective actions. Since the FAA issued AD 2022-25-05, it has been discovered that previous slat track repairs required the use of inappropriate non-destructive test (NDT) methods and, therefore, may have allowed cracks to remain undetected on slat tracks that were previously repaired. This proposed AD would continue to require the actions in AD 2022-25-05 and would require a rework NDT inspection on all slat tracks previously repaired using an inappropriate NDT method. The FAA is proposing this AD to address the unsafe condition on these products.

DATES: The FAA must receive comments on this proposed AD by June 26, 2026.

ADDRESSES: You may send comments, using the procedures found in 14 CFR 11.43 and 11.45, by any of the following methods:

- *Federal eRulemaking Portal:* Go to [regulations.gov](https://www.regulations.gov). Follow the instructions for submitting comments.

- *Fax:* 202-493-2251.

- *Mail:* U.S. Department of Transportation, Docket Operations, M-30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue SE, Washington, DC 20590.

- *Hand Delivery:* Deliver to Mail address above between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

AD Docket: You may examine the AD docket at [regulations.gov](https://www.regulations.gov) under Docket No. FAA-2026-4634; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this NPRM, the mandatory continuing airworthiness information (MCAI), any comments received, and other information. The street address for Docket Operations is listed above.

Material Incorporated by Reference:

- For Transport Canada material identified in this proposed AD, contact Transport Canada National Aircraft Certification, 159 Cleopatra Drive, Nepean, Ontario K1A 0N5, Canada; telephone 888-663-3639; email TC.AirworthinessDirectives-Consignesdenavigabilite.TC@tc.gc.ca. You may find this material on the Transport Canada website at tc.canada.ca/en/aviation. It is also available at [regulations.gov](https://www.regulations.gov) under Docket No. FAA-2026-4634.

- For Spirit AeroSystems material identified in this proposed AD, contact Short Brothers plc (Spirit AeroSystems Belfast) Airport Road, Belfast Co. Down Northern Ireland, BT3 9DZ phone 44 (0)28 9045 8444; email mro@spiritaero.com. You may find this material on the Spirit AeroSystems website at <https://www.spiritaero.com/programs/mro-services>.

- You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 2200 South 216th St., Des Moines, WA. For information on the availability of this material at the FAA, call 206-231-3195.

FOR FURTHER INFORMATION CONTACT: John Massey, Aviation Safety Engineer, FAA, 2200 South 216th St., Des Moines, WA 98198; phone: 516-228-7320; email: John.A.Massey@faa.gov.

SUPPLEMENTARY INFORMATION:

Comments Invited

The FAA invites you to send any written relevant data, views, or arguments about this proposal. Send your comments using a method listed under the **ADDRESSES** section. Include “Docket No. FAA-2026-4634; Project Identifier MCAI-2024-00508-T” at the beginning of your comments. The most helpful comments reference a specific portion of the proposal, explain the reason for any recommended change, and include supporting data. The FAA will consider all comments received by the closing date and may amend this proposal because of those comments.

Except for Confidential Business Information (CBI) as described in the following paragraph, and other information as described in 14 CFR 11.35, the FAA will post all comments received, without change, to [regulations.gov](https://www.regulations.gov), including any personal information you provide. The agency will also post a report summarizing each substantive verbal contact received about this NPRM.

Confidential Business Information

CBI is commercial or financial information that is both customarily and actually treated as private by its owner. Under the Freedom of Information Act (FOIA) (5 U.S.C. 552), CBI is exempt from public disclosure. If your comments responsive to this NPRM contain commercial or financial information that is customarily treated as private, that you actually treat as private, and that is relevant or responsive to this NPRM, it is important that you clearly designate the submitted comments as CBI. Please mark each page of your submission containing CBI as “PROPIN.” The FAA will treat such marked submissions as confidential under the FOIA, and they will not be placed in the public docket of this NPRM. Submissions containing CBI should be sent to John Massey, Aviation Safety Engineer, FAA, 2200 South 216th St., Des Moines, WA 98198; phone: 516-228-7320; email: John.A.Massey@faa.gov. Any commentary that the FAA receives which is not specifically designated as CBI will be placed in the public docket for this rulemaking.

Background

The FAA issued AD 2022-25-05, Amendment 39-22261 (87 FR 77487, December 19, 2022) (AD 2022-25-05),

for certain Airbus Canada Limited Partnership Model BD–500–1A10 and BD–500–1A11 airplanes. AD 2022–25–05 was prompted by an MCAI originated by Transport Canada, which is the aviation authority for Canada. Transport Canada issued AD CF–2021–43, dated November 29, 2021 (Transport Canada AD CF–2021–43), to correct an unsafe condition.

AD 2022–25–05 requires repetitive cleaning and greasing of all slat tracks to prevent damage or corrosion; doing repetitive inspections of the slat tracks for any damage or corrosion, and the correct application of grease; and applicable corrective actions. The FAA issued AD 2022–25–05 to address corrosion and wear on the slat tracks, which could lead to loss of one or more slat panels or loss of slat track guidance and, consequently, cause catastrophic structural damage to the wings or other parts of the airplane due to slat panels departing from the airplane.

Actions Since AD 2022–25–05 Was Issued

Since the FAA issued AD 2022–25–05, Transport Canada superseded Transport Canada AD CF–2021–43 and issued Transport Canada AD CF–2024–26, dated July 17, 2024 (Transport Canada AD CF–2024–26), and then superseded Transport Canada AD CF–2024–26 and issued Transport Canada AD CF–2025–61, dated November 24, 2025 (Transport Canada AD CF–2025–61) (also referred to as the MCAI), to correct an unsafe condition for certain Airbus Canada Limited Partnership Model BD–500–1A10 and BD–500–1A11 airplanes. The MCAI states that since Transport Canada AD CF–2021–43 was issued, it has been discovered that previous slat track repairs required the use of inappropriate NDT methods and, therefore, may have allowed cracks to remain undetected on slat tracks that were previously repaired. The MCAI states that reports have been received that the accomplishment instructions in the referenced service bulletin are ambiguous and that access constraints prevent the accomplishment of the service bulletin without the removal of all slat tracks from the airplane. The MCAI also states that since AD CF–2021–43 was issued, the manufacturer has revised the service information to

specify procedures for a rework NDT inspection on all slat tracks that were previously repaired using an inappropriate NDT method, clarify the accomplishment instructions, and limit the repeat inspection and greasing of all slat tracks to visible portions of the slat tracks only.

Since Transport Canada AD CF–2024–26 was issued, Transport Canada has determined that the compliance times in Transport Canada AD CF–2024–26 need to be updated. The MCAI maintains the requirements of Transport Canada AD CF–2024–26 and updates the compliance times to consider airplanes in storage or airplanes operated under the low utilization maintenance program.

The FAA is proposing this AD to address the unsafe condition on these products.

You may examine the MCAI in the AD docket at *regulations.gov* under Docket No. FAA–2026–4634.

Material Incorporated by Reference Under 1 CFR Part 51

The FAA reviewed Transport Canada AD CF–2025–61, which specifies procedures for repetitive cleaning and greasing of all slat tracks, including the slat track rollers, the slat pinion gear bearings, and the slat pinion gears to prevent damage (e.g., Reametal wear) and corrosion; repetitive general visual inspections (GVIs) of the slat tracks for any damage or corrosion, and correct application of grease; and applicable on-condition actions. On-condition actions include reworking and treating the area with either phosphate pre-treatment or silane pre-treatment if damage consists of abrasion, scratches, corrosion, or nicks, and performing a magnetic particle inspection (MPI) or high-frequency eddy current (HFEC) on the repair area of the slat track. Transport Canada AD CF–2025–61 also specifies procedures for an alternative method of compliance for the inspections.

The FAA also reviewed Spirit AeroSystems Service Bulletin 500SHW–57–4201, Issue No. 003, dated June 17, 2025, which specifies procedures for cleaning, inspecting, and greasing of slat tracks and applicable on-condition repairs.

This material is reasonably available because the interested parties have access to it through their normal course

of business or by the means identified in the ADDRESSES section.

FAA’s Determination

These products have been approved by the civil aviation authority of another country and are approved for operation in the United States. Pursuant to the FAA’s bilateral agreement with this State of Design Authority, that authority has notified the FAA of the unsafe condition described in the MCAI referenced above. The FAA is issuing this NPRM after determining that the unsafe condition described previously is likely to exist or develop in other products of the same type design.

Proposed AD Requirements in This NPRM

This proposed AD would require accomplishing the actions specified in Transport Canada AD CF–2025–61 described previously, except for any differences identified as exceptions in the regulatory text of this proposed AD.

Explanation of Required Compliance Information

In the FAA’s ongoing efforts to improve the efficiency of the AD process, the FAA developed a process to use some civil aviation authority (CAA) ADs as the primary source of information for compliance with requirements for corresponding FAA ADs. The FAA has been coordinating this process with manufacturers and CAAs. As a result, the FAA proposes to incorporate Transport Canada AD CF–2025–61 by reference in the FAA final rule. This proposed AD would, therefore, require compliance with Transport Canada AD CF–2025–61 in its entirety through that incorporation, except for any differences identified as exceptions in the regulatory text of this proposed AD. Material required by Transport Canada AD CF–2025–61 for compliance will be available at *regulations.gov* under Docket No. FAA–2026–4634 after the FAA final rule is published.

Costs of Compliance

The FAA estimates that this AD, if adopted as proposed, would affect 161 airplanes of U.S. registry. The FAA estimates the following costs to comply with this proposed AD:

ESTIMATED COSTS FOR REQUIRED ACTIONS

Action	Labor cost	Parts cost	Cost per product	Cost on U.S. operators
Retained actions from AD 2022–25–05.	Up to 15 work-hours × \$85 per hour = \$1,275.	\$0	Up to \$1,275	Up to \$77,775.

ESTIMATED COSTS FOR REQUIRED ACTIONS—Continued

Action	Labor cost	Parts cost	Cost per product	Cost on U.S. operators
New proposed actions	Up to 242 work-hours × \$85 per hour = \$20,570.	0	Up to \$20,570	Up to \$3,311,770.

The FAA estimates the following costs to do any necessary on-condition actions that would be required based on

the results of any required actions. The FAA has no way of determining the

number of aircraft that might need these on-condition actions:

ESTIMATED COSTS OF ON-CONDITION ACTIONS *

Labor cost	Parts cost	Cost per product
8 work-hours × \$85 per hour = \$680 per slat track	\$0	\$680 per slat track.

* This table does not include on-condition repair costs.

The FAA has received no definitive data on which to base the cost estimates for the on-condition repairs specified in this proposed AD.

According to the manufacturer, some or all of the costs of this proposed AD may be covered under warranty, thereby reducing the cost impact on affected operators. The FAA does not control warranty coverage for affected operators. As a result, the FAA has included all known costs in the cost estimate.

Authority for This Rulemaking

Title 49 of the United States Code specifies the FAA's authority to issue rules on aviation safety. Subtitle I, section 106, describes the authority of the FAA Administrator. Subtitle VII: Aviation Programs, describes in more detail the scope of the Agency's authority.

The FAA is issuing this rulemaking under the authority described in Subtitle VII, Part A, Subpart III, Section 44701: General requirements. Under that section, Congress charges the FAA with promoting safe flight of civil aircraft in air commerce by prescribing regulations for practices, methods, and procedures the Administrator finds necessary for safety in air commerce. This regulation is within the scope of that authority because it addresses an unsafe condition that is likely to exist or develop on products identified in this rulemaking action.

Regulatory Findings

The FAA determined that this proposed AD would not have federalism implications under Executive Order 13132. This proposed AD would not have a substantial direct effect on the States, on the relationship between the national government and the States, or on the distribution of power and

responsibilities among the various levels of government.

For the reasons discussed above, I certify this proposed regulation:

- (1) Is not a "significant regulatory action" under Executive Order 12866,
- (2) Would not affect intrastate aviation in Alaska, and
- (3) Would not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Incorporation by reference, Safety.

The Proposed Amendment

Accordingly, under the authority delegated to me by the Administrator, the FAA proposes to amend 14 CFR part 39 as follows:

PART 39—AIRWORTHINESS DIRECTIVES

- 1. The authority citation for part 39 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40113, 44701.

§ 39.13 [Amended]

- 2. The FAA amends § 39.13 by:
 - a. Removing Airworthiness Directive (AD) 2022–25–05, Amendment 39–22261 (87 FR 77487, December 19, 2022); and
 - b. Adding the following new AD:

Airbus Canada Limited Partnership (Type Certificate Previously Held by C Series Aircraft Limited Partnership (CSALP); Bombardier, Inc.): Docket No. FAA–2026–4634; Project Identifier MCAI–2024–00508–T.

(a) Comments Due Date

The FAA must receive comments on this airworthiness directive (AD) by June 26, 2026.

(b) Affected ADs

This AD replaces AD 2022–25–05, Amendment 39–22261 (87 FR 77487, December 19, 2022) (AD 2022–25–05).

(c) Applicability

This AD applies to Airbus Canada Limited Partnership (Type Certificate previously held by C Series Aircraft Limited Partnership (CSALP); Bombardier, Inc.) Model BD–500–1A10 and BD–500–1A11 airplanes, certificated in any category, as identified in Transport Canada AD CF–2025–61, dated November 24, 2025 (Transport Canada AD CF–2025–61).

(d) Subject

Air Transport Association (ATA) of America Code 57, Wings.

(e) Unsafe Condition

This AD was prompted by a report that corrosion and wear were discovered on the slat tracks due to insufficient grease applied to the slat tracks during production, and the discovery that previous slat track repairs required the use of inappropriate non-destructive test (NDT) methods and, therefore, may have allowed cracks to remain undetected on slat tracks that were previously repaired. The FAA is issuing this AD to address corrosion and wear on the slat tracks, which could lead to loss of one or more slat panels or loss of slat track guidance. The unsafe condition, if not addressed, could result in catastrophic structural damage to the wings or other parts of the airplane due to slat panels departing from the airplane.

(f) Compliance

Comply with this AD within the compliance times specified, unless already done.

(g) Requirements

Except as specified in paragraphs (h) and (i) of this AD: Comply with all required actions and compliance times specified in, and in accordance with, Transport Canada AD CF–2025–61.

(h) Exception to Transport Canada AD CF–2025–61

(1) Where Transport Canada AD CF–2025–61 refers to its effective date, this AD requires using the effective date of this AD.

(2) Where Transport Canada CF–2025–61 specifies accomplishing actions in accordance with “the VSB,” this AD requires using Spirit AeroSystems Service Bulletin 500SHW–57–4201, Issue No. 003, dated June 17, 2025.

(3) Where Transport Canada CF–2025–61 refers to hours air time, this AD requires using flight hours.

(4) Where Transport Canada AD CF–2025–61 defines Group B as airplanes with “more than 2550 total hour air time”, this AD requires replacing that text with “equal to or more than 2,550 total flight hours”.

(5) Where Transport Canada AD CF–2025–61 specifies to accomplish certain actions using both the “applicable SB” and “the VSB” as defined in Transport Canada AD CF–2025–61, this AD requires using only “the VSB”.

(6) Where Transport Canada AD CF–2025–61 specifies accomplishing certain actions using “the VSB”, for this AD replace the text “Part A of the VSB” with “section 2., Procedure, of Part A of the VSB” and replace the text “Part B of the VSB” with “section 2., Procedure, of Part B of the VSB”.

(i) No Reporting Requirement

Although the material referenced in Transport Canada AD CF–2025–61 specifies to submit certain information to the manufacturer, this AD does not include that requirement.

(j) Additional AD Provisions

The following provisions also apply to this AD:

(1) *Alternative Methods of Compliance (AMOCs)*: The Manager, AIR–520, Continued Operational Safety Branch, FAA, has the authority to approve AMOCs for this AD, if requested using the procedures found in 14 CFR 39.19. In accordance with 14 CFR 39.19, send your request to your principal inspector or responsible Flight Standards Office, as appropriate. If sending information directly to the manager of the International Validation Branch, send it to the attention of the person identified in paragraph (k) of this AD and email to: AMOC@faa.gov.

(i) Before using any approved AMOC, notify your appropriate principal inspector, or lacking a principal inspector, the manager of the responsible Flight Standards Office.

(ii) AMOCs approved previously for AD 2022–25–05 are not approved as AMOCs for the corresponding provisions of Transport Canada AD CF–2025–61 that are required by paragraph (g) of this AD.

(2) *Contacting the Manufacturer*: For any requirement in this AD to obtain instructions from a manufacturer, the instructions must be accomplished using a method approved by the Manager, AIR–520, Continued Operational Safety Branch, FAA; or Transport Canada; or Airbus Canada Limited Partnership’s Transport Canada Design Approval Organization (DAO). If approved by the DAO, the approval must include the DAO-authorized signature.

(k) Additional Information

For more information about this AD, contact John Massey, Aviation Safety Engineer, FAA, 2200 South 216th St., Des Moines, WA 98198; phone: 516–228–7320; email: John.A.Massey@faa.gov.

(l) Material Incorporated by Reference

(1) The Director of the Federal Register approved the incorporation by reference of the material listed in this paragraph under 5 U.S.C. 552(a) and 1 CFR part 51.

(2) You must use this material as applicable to do the actions required by this AD, unless this AD specifies otherwise.

(i) Transport Canada AD CF–2025–61, dated November 24, 2025.

(ii) Spirit AeroSystems Service Bulletin 500SHW–57–4201, Issue No. 003, dated June 17, 2025.

(3) For Transport Canada material identified in this AD, contact Transport Canada, Transport Canada National Aircraft Certification, 159 Cleopatra Drive, Nepean, Ontario K1A 0N5, Canada; telephone 888–663–3639; email TC.AirworthinessDirectives-Consignesdenavigabilite.TC@tc.gc.ca. You may find this material on the Transport Canada website at tc.canada.ca/en/aviation.

(4) For Spirit AeroSystems material identified in this AD, contact Short Brothers plc (Spirit AeroSystems Belfast) Airport Road, Belfast Co. Down Northern Ireland, BT3 9DZ phone 44 (0)28 9045 8444; email mro@spiraero.com. You may find this material on the Spirit AeroSystems website at www.mro.spiraero.com.

(5) You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 2200 South 216th St., Des Moines, WA. For information on the availability of this material at the FAA, call 206–231–3195.

(6) You may view this material at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, visit www.archives.gov/federal-register/cfr/ibr-locations or email fr.inspection@nara.gov.

Issued on May 7, 2026.

Lona C. Saccomando,

Acting Deputy Director, Integrated Certificate Management Division, Aircraft Certification Service.

[FR Doc. 2026–09381 Filed 5–11–26; 8:45 am]

BILLING CODE 4910–13–P

COMMODITY FUTURES TRADING COMMISSION**17 CFR Part 50**

RIN 3038–AF69

Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps to Account for CAD and MXN Interest Rate Benchmark Transitions

AGENCY: Commodity Futures Trading Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commodity Futures Trading Commission (Commission or CFTC) is proposing to amend its interest rate swap clearing requirement regulations adopted under applicable provisions of the Commodity Exchange Act (CEA) to address the transition from the Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA), and the transition from the Mexican Interbank Equilibrium Interest Rate (la Tasa de Interés Interbancaria de Equilibrio, or TIIE by its Spanish acronym) to the Overnight TIIE Funding Rate (TIIE de Fondeo or F–TIIE), as benchmark reference rates for interest rate swaps denominated, respectively, in Canadian dollars (CAD) and Mexican pesos (MXN). These transitions are part of an ongoing global effort by market participants, benchmark administrators, regulators, and others to shift away from reliance on certain interbank offered rates (IBORs) that are, or are expected to become, unavailable as benchmark reference rates, and increase adoption of alternative reference rates, which are predominantly overnight, nearly risk-free reference rates (RFRs). The proposed amendments would revise the set of interest rate swaps that are required to be submitted for clearing, pursuant to the CEA and the Commission’s regulations, to a derivatives clearing organization (DCO) that is registered under the CEA (registered DCO) or a DCO that has been exempted from such registration (exempt DCO). Among other things, the proposed amendments would modify the Commission’s interest rate swap clearing requirement to reflect the market transitions from CAD CDOR to CAD CORRA and from MXN TIIE to MXN F–TIIE.

DATES: Comments must be received on or before June 11, 2026.

ADDRESSES: You may submit comments, specifically referencing “Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps to Account for CAD and MXN Interest Rate Benchmark Transitions” and RIN 3038–AF69, by any of the following methods:

- *Regulations.gov*: Go to <https://www.regulations.gov> and press the “Search” button, then proceed as follows:

1. Under Refine Documents Results—check the box to “Only show documents open for comment”;

2. Under Agency—select “See More” and check the box for “Commodity Futures Trading Commission,” then press the Apply button;

3. Identify this proposal in the list of CFTC documents open for comment, press the “Comment” button to open the submission form, and follow the instructions on the form.

Alternatively, if you are viewing this proposal on www.federalregister.gov, click the “Submit A Public Comment” button at the top of the page to open the comment form. Follow the instructions on the form to submit your comment to Regulations.gov.

- **Mail:** Send to—Christopher Kirkpatrick, Secretary of the Commission, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581.

- **Hand Delivery/Courier:** Address to—CFTC Comment Submission, Attn: Christopher Kirkpatrick, Secretary of the Commission, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581.

Please submit your comments using only one of these methods. To avoid possible delays with mail or in-person deliveries, submissions through Regulations.gov are encouraged.

All comments must be submitted in English or, if not, accompanied by an English translation. Do not include in your comment text or attachments any personal identifying information or business information that you do not want published online. Comments (regardless of submission method) will be published without review for, and without removal of, any personal identifying information or information your business may consider confidential.

If you wish to submit confidential information for the Commission’s consideration, please contact the CFTC personnel listed in this Notice under **FOR FURTHER INFORMATION CONTACT** before making any submission. Please also carefully review the Commission’s procedures in 17 CFR 145.9 for requesting confidential treatment under the Freedom of Information Act (FOIA) of information submitted to the Commission.

The CFTC reserves the right, but shall have no obligation, to review, pre-screen, filter, or redact all or any part of your comment submission. The CFTC also reserves the right, without further notification, to refuse to publish or to remove from public view all or any part of your submission to the extent it contains content inappropriate for publication in a comment file, such as—without limitation—obscene language, threats of violence, solicitations for commercial sales or illegal activity, or obvious spam. If a submission that is

refused for or withdrawn from publication because of inappropriate content also contains comments on the merits of this proposal, such submission will be retained in the record for the matter and will be considered as required under the Administrative Procedure Act and other applicable laws, and may be accessible under the FOIA.

FOR FURTHER INFORMATION CONTACT:

Sarah E. Josephson, Deputy Director, at 202–418–5684 or sjosephson@cftc.gov; Daniel O’Connell, Special Counsel, at 202–418–5583 or doconnell@cftc.gov; or Philip Tumminio, Special Counsel, at 202–418–5910 or ptumminio@cftc.gov, Division of Clearing and Risk at the Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581.

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I. Background

A. Commission’s Swap Clearing Requirement

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-

Frank Act) established a comprehensive new regulatory framework for swaps.¹ Title VII of the Dodd-Frank Act (Title VII) amended the CEA to require, among other things, that a swap be cleared through a registered DCO or an exempt DCO if the Commission has determined that the swap, or group, category, type, or class of swaps, is required to be cleared, unless an exception to the clearing requirement applies.² The CEA, as amended by Title VII, provides that the Commission may issue a clearing requirement determination based either on a Commission-initiated review of a swap³ or a swap submission from a DCO.⁴

Section 2(h)(2)(D)(ii) of the CEA requires the Commission to consider the following five factors when making a clearing requirement determination: (I) the existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data; (II) the availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the contract on terms that are consistent with the material terms and trading conventions on which the contract is traded; (III) the effect on the mitigation of systemic risk, taking into account the size of the market for such contract and the resources of the DCOs available to clear the contract; (IV) the effect on competition, including appropriate fees and charges applied to clearing; and (V) the existence of reasonable legal certainty in the event of the insolvency of the relevant DCO or one or more of

¹ Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203, 124 Stat. 1376 (2010).

² Section 2(h)(1)(A) of the CEA, 7 U.S.C. 2(h)(1)(A).

³ Section 2(h)(2)(A) of the CEA, 7 U.S.C. 2(h)(2)(A). Section 2(h)(2)(A) provides for a Commission-initiated review process whereby the Commission, on an ongoing basis, must review swaps, or a group, category, type, or class of swaps, to determine whether a swap, or a group, category, type, or class of swaps, should be required to be cleared.

⁴ Section 2(h)(2)(B) of the CEA, 7 U.S.C. 2(h)(2)(B). Section 2(h)(2)(B)(i) requires that each DCO submit to the Commission each swap, or group, category, type, or class of swaps, that it plans to accept for clearing. The swaps subject to this proposed determination were submitted by DCOs pursuant to CEA section 2(h)(2)(B)(i) and Regulation § 39.5(b), 17 CFR 39.5(b). Pursuant to section 2(h)(2)(B)–(C) of the CEA, 7 U.S.C. 2(h)(2)(B)–(C), the Commission must review swap submissions from DCOs to determine whether the swaps should be subject to required clearing. Regulation § 39.5(b) implements the procedural elements of section 2(h)(2)(B)–(C) by establishing the process by which a DCO must submit the swaps it offers for clearing to the Commission for purposes of considering a clearing requirement determination. DCO swap submissions are published on the Commission website at <https://www.cftc.gov/IndustryOversight/IndustryFilings/ClearingOrganizationProducts>.

its clearing members with regard to the treatment of customer and swap counterparty positions, funds, and property.⁵

1. 2012 Clearing Requirement Determination

The Commission adopted its first clearing requirement determination (First Determination) in 2012.⁶ The First Determination was implemented between March 2013 and October 2013 based on the schedule described in regulation § 50.25 and the preamble to the First Determination.⁷ The First Determination applied to interest rate swaps in four classes: fixed-to-floating swaps, basis swaps, forward rate agreements (FRAs), and overnight index swaps (OIS).⁸

In making its initial interest rate swap clearing requirement determination, the Commission focused on the size of the interest rate swap market relative to the swap market overall, as well as the fact that interest rate swaps were already widely being cleared.⁹ As set forth in regulation § 50.4(a), the Commission identified four classes of interest rate swaps having certain specifications related to (i) the currency in which the notional and payment amounts are specified; (ii) the floating rate index referenced in the swap; (iii) the stated termination date; (iv) optionality; (v)

dual currencies; and (vi) conditional notional amounts.¹⁰

The Commission limited the interest rate swaps required to be cleared to those denominated in four currencies: (i) U.S. dollar (USD); (ii) Euro (EUR); (iii) British pound (GBP); and (iv) Japanese yen (JPY). The Commission noted that interest rate swaps denominated in these currencies comprised an outsized portion of the interest rate swap market in terms of notional amounts outstanding and trading volumes compared to interest rate swaps denominated in other currencies.¹¹

The First Determination covered a number of interest rate swaps that reference IBORs, including fixed-to-floating swaps, basis swaps, and FRAs denominated in USD, GBP, and JPY, referencing, respectively, the USD London Interbank Offered Rate (LIBOR), GBP LIBOR, and JPY LIBOR, as well as fixed-to-floating swaps, basis swaps, and FRAs denominated in EUR referencing the Euro Interbank Offered Rate (EURIBOR). The First Determination also covered OIS denominated in USD, GBP, and EUR referencing, respectively, the Federal Funds rate, the Sterling Overnight Index Average (SONIA), and the Euro Overnight Index Average (EONIA). The Commission observed then that interest rate swaps referencing those indexes had significant outstanding notional amounts and trading liquidity.¹²

2. 2016 Clearing Requirement Determination

The Commission adopted its second clearing requirement determination (Second Determination) in 2016.¹³ The Second Determination was implemented between December 2016 and October 2018,¹⁴ and covered interest rate swaps denominated in nine additional currencies: (i) Australian dollar (AUD); (ii) CAD; (iii) Hong Kong dollar (HKD); (iv) MXN; (v) Norwegian krone (NOK); (vi) Polish zloty (PLN); (vii) Singapore dollar (SGD); (viii) Swedish krona (SEK); and (ix) Swiss franc (CHF).

The Commission adopted the Second Determination largely in order to further harmonize its interest rate swap clearing requirement with those of other jurisdictions that had already issued, or

were in the process of issuing, clearing mandates for similar interest rate swaps.¹⁵ The Second Determination covered, among other swaps, CAD-denominated fixed-to-floating swaps that reference CAD CDOR and OIS that reference CAD CORRA, and MXN-denominated fixed-to-floating swaps that reference MXN TIIE.¹⁶

3. End of LIBOR and 2022 Clearing Requirement Determination

The Commission adopted its third clearing requirement determination (Third Determination) in 2022.¹⁷ The Commission adopted the Third Determination to address the global transition from IBORs to RFRs; specifically, the transition from LIBOR (covering five currencies), SGD Singapore Dollar Swap Offer Rate—Volume Weighted Average Price (SOR—VWAP) (which relied on USD LIBOR as an input), and EUR EONIA to corresponding RFRs.¹⁸ EUR EONIA ceased publication on January 3, 2022,¹⁹ and the transition away from LIBOR was largely complete in June 2023 with the cessation or permanent loss of representativeness of the underlying markets of USD LIBOR and SGD SOR—VWAP.²⁰

LIBOR was an interest rate benchmark that was intended to measure the average rate at which a bank could obtain unsecured funding in the London interbank market for a given tenor and currency. It was one of the world's most frequently referenced interest rate benchmarks and served as a reference rate for a wide variety of swaps and other financial products. LIBOR was calculated based on submissions from a panel of contributor banks for each LIBOR currency and published every London business day. Immediately prior

¹⁵ *Id.* at 71203–71205. The Commission explained that such harmonization serves an important anti-evasion goal: if a non-U.S. jurisdiction issued a clearing requirement, and a swap dealer located in the United States were not subject to an analogous a clearing requirement under U.S. law, then market participants potentially could avoid the non-U.S. jurisdiction's clearing requirement by entering a swap with a swap dealer located in the United States. *Id.* at 71203.

¹⁶ *Id.* at 71240.

¹⁷ Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates, 87 FR 52182 (Aug. 24, 2022) (Third Determination).

¹⁸ *Id.* at 52183–52185.

¹⁹ European Money Markets Institute, EONIA, available at <https://www.emmi-benchmarks.eu/benchmarks/eonia/>.

²⁰ Settings for GBP LIBOR, CHF LIBOR, and JPY LIBOR ceased or became unrepresentative prior to June 2023, as did settings for EUR LIBOR. The Commission did not adopt a clearing requirement for swaps referencing EUR LIBOR.

⁵ 7 U.S.C. 2(h)(2)(D)(ii).

⁶ Clearing Requirement Determination Under Section 2(h) of the CEA, 77 FR 74284 (Dec. 13, 2012) (First Determination).

⁷ 17 CFR 50.25; First Determination, 77 FR at 74319–74321.

⁸ See generally First Determination. An interest rate swap is generally an agreement by counterparties to exchange payments based on a series of cash flows over a specified period, typically calculated using two different rates. Fixed-to-floating swaps are interest rate swaps in which the payment(s) owed on one leg of the swap is calculated using a fixed rate, and the payment(s) owed on the other leg is calculated using a floating rate. Basis swaps are interest rate swaps for which the payments for both legs are calculated using floating rates. FRAs are interest rate swaps in which payments are exchanged on a predetermined date for a single period and one leg of the swap is calculated using a fixed rate while the other leg is calculated using a floating rate set on a predetermined date. OIS are interest rate swaps for which one leg of the swap is calculated using a fixed rate and the other leg is calculated using a floating rate based on a daily overnight rate.

⁹ *Id.* at 74287, 74307. Significant amounts of notional in interest rate swaps continue to be traded in markets around the world, and these swaps comprise an outsized portion of notional among all swaps. According to the Bank for International Settlements (BIS), as of June 2024, there was an estimated \$579 trillion in outstanding notional of interest rate swaps, which represents approximately 80% of the total outstanding notional of all over-the-counter (OTC) derivatives. See BIS, “OTC derivatives statistics at end-June 2024,” Nov. 21, 2024, at 1–2, available at https://www.bis.org/publ/otc_hy2411.pdf (OTC derivatives statistics at end-June 2024).

¹⁰ 17 CFR 50.4(a).

¹¹ First Determination, 77 FR at 74308.

¹² *Id.* at 74309.

¹³ Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps, 81 FR 71202 (Oct. 14, 2016) (Second Determination).

¹⁴ 17 CFR 50.26; Second Determination, 81 FR at 71202.

to January 1, 2022, LIBOR was published for five currencies (USD, GBP, EUR, CHF, and JPY) and seven tenors (overnight or spot next depending on currency, 1-week, 1-month, 2-month, 3-month, 6-month, and 12-month), resulting in 35 individual LIBOR rates.²¹ ICE Benchmark Administration (IBA) administered LIBOR from 2014 (when it assumed the role of administrator from the British Bankers' Association) until 2024 (when it ceased publishing synthetic LIBOR settings, as discussed below).²²

More than a decade ago, a decline in the volume of interbank lending transactions that LIBOR was intended to measure,²³ as well as government

investigations concerning LIBOR,²⁴ gave rise to concerns regarding the integrity and reliability of LIBOR and other IBORs.²⁵

Although LIBOR was subject to significant reform efforts,²⁶ regulators and global standard-setting bodies did not view these reforms as a long-term solution. On July 27, 2017, Andrew Bailey, then-Chief Executive of the United Kingdom (UK) Financial Conduct Authority (FCA), LIBOR's primary regulator, announced that the FCA would not use its authority to compel LIBOR panel banks to contribute to the benchmark after 2021.²⁷

On March 5, 2021, the FCA announced that IBA had notified the FCA that it intended to cease providing all LIBOR settings for all currencies, subject to any rights of the FCA to compel IBA to continue publication.²⁸ The FCA further announced that publication of LIBOR would cease in stages based on currency and tenor.²⁹

LIBOR settings that became permanently unrepresentative rather than ceasing continued to be published under a synthetic methodology on a

temporary basis for use in certain legacy contracts. The last of these settings (for USD LIBOR) was published on September 30, 2024.³⁰

Significant private and public sector coordinated efforts have driven the transition from IBORs to RFRs.³¹ In response to recommendations by international organizations, such as the Financial Stability Board (FSB), and domestic organizations, such as the Financial Stability Oversight Council in the United States, to address the risks posed by LIBOR and other IBORs,³² central banks in IBOR currency jurisdictions convened private-public working groups (such as the Alternative Reference Rates Committee (ARRC) in the United States, convened in 2014 by the Federal Reserve Board (FRB) and the Federal Reserve Bank of New York (FRBNY)), to identify, develop, and support the implementation of reference rates to serve as alternatives to LIBOR and other IBORs.³³ In 2017, the ARRC

²¹ See generally ICE Benchmark Administration, LIBOR, available at <https://www.theice.com/iba/libor>.

²² *Id.*; IBA, ICE Benchmark Administration to Become New Administrator of LIBOR on February 1, 2014, Jan. 17, 2014, available at <https://ir.theice.com/press/news-details/2014/ICE-Benchmark-Administration-to-Become-New-Administrator-of-LIBOR-on-February-1-2014/default.aspx>; Financial Conduct Authority, "The end of Libor," Oct. 1, 2024, available at <https://www.fca.org.uk/news/press-releases/end-libor>.

²³ Declining unsecured interbank lending volumes, due in significant part to changes in the funding of balance sheets and trading positions by market participants since the 2008 financial crisis, meant that LIBOR panel banks increasingly relied on "expert judgment" rather than reference transactions in the rate setting process. Financial Stability Oversight Council (FSOC), 2013 Annual Report, 2013, at 137, available at <https://home.treasury.gov/system/files/261/FSOC-2013-Annual-Report.pdf> (FSOC 2013 Annual Report). In its 2013 Annual Report, the Financial Stability Oversight Council noted that "the deterioration in the perception of some banks' credit risk since the beginning of the European debt crisis has exacerbated the reluctance of banks to engage in unsecured lending." "[t]he very large volume of excess reserves in the banking system provided by central banks has also contributed to significantly reduced activity in interbank lending markets," and "banks are [also] more closely managing demands on their balance sheets." *Id.* For example, while the pre-2008 financial crisis interbank market saw an estimated \$100 billion in transactions per day, daily volumes had declined to an estimated \$5 billion by 2018. Kyungmin Kim, et al., Finance and Economics Discussion Series, Division of Research & Statistics and Monetary Affairs, Federal Reserve Board, Washington, DC, "Can the US interbank market be revived?," Nov. 5, 2018, at 1, available at <https://www.federalreserve.gov/econres/feds/files/2018088pap.pdf>. In a June 2020 LIBOR cessation progress report, the Office of the Comptroller of the Currency noted that daily underlying transactions volumes for LIBOR were less than \$1 billion. Office of the Comptroller of the Currency, LIBOR Cessation Status and Progress, June 2020, at 10, available at <https://www.occ.gov/topics/supervision-and-examination/bank-management/minority-depository-institutions/libor-knowledge-transfer-jun-2020.pdf>. In comparison, the underlying transaction volume for the USD Secured Overnight Financing Rate (discussed below), the RFR that has superseded USD LIBOR, has ranged from approximately \$700 billion to over \$1 trillion. Alternative Reference Rates Committee, Frequently Asked Questions, Aug. 27, 2021, at 5, available at <https://www.newyorkfed.org/medialibrary/microsites/arrc/files/ARRC-faq.pdf>.

²⁴ See, e.g., In re Société Générale S.A., No. 18–14 (CFTC June 4, 2018) (\$475 million penalty); In re Deutsche Bank AG, No. 15–20 (CFTC Apr. 23, 2015) (\$800 million penalty); In re The Royal Bank of Scotland plc, No. 13–14 (CFTC Feb. 6, 2013) (\$325 million penalty); In re UBS AG, No. 13–09 (CFTC Dec. 19, 2012) (\$700 million penalty); In re Barclays PLC, No. 12–25 (CFTC June 27, 2012) (\$200 million penalty). As a general matter, the investigations variously concerned charges of actual and attempted manipulation and false reporting in connection with the rate-setting process.

²⁵ See, e.g., International Organization of Securities Commissions, Principles for Financial Benchmarks, July 2013, at 1, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCPD415.pdf>. See also David Bowman, et al., "How Correlated Is LIBOR With Bank Funding Costs?," FEDS Notes, June 29, 2020, available at <https://www.federalreserve.gov/econres/notes/feds-notes/how-correlated-is-libor-with-bank-funding-costs-20200629.htm>; Alternative Reference Rates Committee, *Second Report*, Mar. 2018, at 1–3, available at <https://www.newyorkfed.org/medialibrary/microsites/arrc/files/2018/ARRC-Second-report> (ARRC Second Report).

²⁶ See generally IBA, Methodology, available at https://www.theice.com/publicdocs/ICE_LIBOR_Methodology.pdf; H.M. Treasury, The Wheatley Review of LIBOR: Final Report, Sept. 2012, available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/191762/wheatley_review_libor_finalreport_280912.pdf; Intercontinental Exchange, ICE LIBOR Evolution, Apr. 25, 2018, at 4, available at https://www.theice.com/publicdocs/ICE_LIBOR_Evolution_Report_25_April_2018.pdf.

²⁷ Andrew Bailey, "The future of Libor," July 27, 2017, available at <https://www.fca.org.uk/news/speeches/the-future-of-libor>.

²⁸ FCA, FCA Announcement on Future Cessation and Loss of Representativeness of the LIBOR Benchmarks, Mar. 5, 2021 (FCA Announcement on LIBOR Cessation), available at <https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf>.

²⁹ *Id.*

³⁰ Financial Conduct Authority, "The end of Libor," Oct. 1, 2024, available at <https://www.fca.org.uk/news/press-releases/end-libor>. Following the cessation of the final synthetic LIBOR settings, in a joint press release, the Bank of England, the FCA, and the Working Group on Sterling Risk-Free Reference Rates (an industry-led working group convened in 2015 by the Bank of England to support benchmark reform efforts in the UK) said in a joint press release, "The transition away from LIBOR, once referenced in an estimated \$400 trillion of financial contracts, has made financial markets safer, more stable and fit for modern use. UK regulators, their international counterparts and market participants have worked together over the past decade to move to risk-free rates ('RFRs'), based on robust data." *Id.*

³¹ While not all interest rate benchmarks considered to be alternative reference rates for IBORs may be RFRs, private and public sector participants in benchmark reform efforts have focused on RFRs as alternatives due in part to an expectation of continued greater reliance on secured funding, structural changes in derivatives markets requiring greater use of collateral, and increased use of central clearing. Financial Stability Board, Reforming Major Interest Rate Benchmarks, July 2, 2014, at 40, available at https://www.fsb.org/uploads/r_140722.pdf (Reforming Major Interest Rate Benchmarks). Nevertheless, for purposes of brevity, the Commission uses the term "RFR" in this notice of proposed rulemaking to refer to alternative reference rates generally.

³² See, e.g., Reforming Major Interest Rate Benchmarks; FSOC 2013 Annual Report; BIS, "Towards better reference rate practices: a central bank perspective," Mar. 2013, available at <https://www.bis.org/publ/othp19.pdf>.

³³ The ARRC was comprised of private market participants and *ex officio* banking and financial sector regulators. ARRC, About, available at <https://www.newyorkfed.org/arrc/about>. The ARRC concluded its work in November 2023. See ARRC, ARRC Closing Report: Final Reflections on the Transition from LIBOR, Nov. 2023, available at <https://www.newyorkfed.org/medialibrary/microsites/arrc/files/2023/ARRC-Closing-Report.pdf>. On September 26, 2024, the FRBNY announced the formation of the Reference Rates Use Committee to serve as a forum on the use of interest rate benchmarks and the evolution of the markets that underpin them. FRBNY, Press Release, New

identified the Secured Overnight Financing Rate (SOFR) as its preferred USD LIBOR alternative.³⁴ SOFR, which measures the cost of borrowing cash overnight collateralized by U.S. Treasury securities, is administered by the FRBNY and was first published in conjunction with the U.S. Department of the Treasury's Office of Financial Research³⁵ on April 3, 2018.³⁶

Regulators and global standard-setting bodies urged market participants to accelerate the use of LIBOR alternatives and to cease entering new swaps referencing LIBOR,³⁷ and issued guidance and regulatory relief to facilitate the transition. In the United States, on July 13, 2021, the Commission's Market Risk Advisory Committee adopted SOFR First, an initiative to switch interdealer trading conventions from reliance on USD LIBOR to USD SOFR as a reference rate for swaps, in four phases between July 2021 and December 2021.³⁸ SOFR First mirrored similar best practices adopted in other jurisdictions to increase activity in swaps referencing RFRs.³⁹ DCOs supported the transition by, among other things, offering clearing services for RFR swaps and converting IBOR swaps to RFR swaps ahead of IBOR

cessation dates.⁴⁰ Market participants also played a key role in the transition by engaging with working groups such as the ARRC, providing liquidity in RFR swaps, and voluntarily clearing many RFR swaps.⁴¹

Considering these developments and following publication of a request for information⁴² and notice of proposed rulemaking,⁴³ on August 24, 2022, the Commission published the Third Determination. The Commission amended its interest rate swap clearing requirement, finding, among other things, that LIBOR and certain other IBORs had become unavailable,⁴⁴ or would soon become unavailable; that liquidity had shifted out of swaps referencing these IBORs and into corresponding RFR OIS; and that these RFR OIS were already largely voluntarily cleared. Specifically, the Commission amended its interest rate swap clearing requirement as follows.

First, effective September 23, 2022, the Commission (i) removed the requirement to clear swaps referencing GBP LIBOR, CHF LIBOR, and JPY LIBOR, and EUR EONIA, in each of the fixed-to-floating swap, basis swap, FRA, and OIS classes, as applicable; (ii) added a requirement to clear OIS referencing CHF Swiss Average Rate Overnight (SARON) (with a stated termination date range of seven days to 30 years), JPY Tokyo Overnight Average Rate (TONA) (seven days to 30 years), and EUR Euro Short-Term Rate (€STR) (seven days to three years); and (iii) extended the stated termination date range for GBP SONIA OIS required to be cleared to include seven days to 50 years.

Second, effective October 31, 2022, the Commission added a requirement to clear OIS referencing USD SOFR (seven days to 50 years) and SGD Singapore Overnight Rate Average (SORA) (seven days to 10 years).⁴⁵

⁴⁰ Third Determination, 87 FR at 52185 (providing additional information regarding DCO conversions).

⁴¹ *Id.* at 52186.

⁴² Swap Clearing Requirement To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates, 86 FR 66476 (Nov. 23, 2021).

⁴³ Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates, 87 FR 32898 (May 31, 2022).

⁴⁴ For brevity, where this proposal refers to benchmark rates that have become "unavailable," "unavailable" may variously mean that the rate has ceased publication, there has been a permanent loss of representativeness in the underlying markets which will not be restored, and/or the benchmark has been prohibited for use (e.g., by its home country regulator).

⁴⁵ This implementation date aligned with the timing for the Bank of England's implementation of

Third, effective July 1, 2023, the Commission removed the requirement to clear interest rate swaps referencing USD LIBOR and SGD SOR-VWAP in each of the fixed-to-floating swap, basis swap, and FRA classes, as applicable.

In addition to the CFTC's third clearing requirement determination, regulators in other jurisdictions, including the UK, European Union, Australia, Japan, and Switzerland, also updated interest rate swap clearing requirements to reflect the transition from LIBOR and other IBORs to corresponding RFRs.⁴⁶

B. Global Progress on Benchmark Reform

While global benchmark reform efforts have focused on LIBOR, certain other IBORs continue to be published, and swaps referencing some such IBORs remain subject to the Commission's interest rate swap clearing requirement, as well as clearing requirements in other jurisdictions. In adopting the Third Determination, the Commission noted that, in the future, it may consider further modifications to the interest rate swap clearing requirement in regulation § 50.4 to address the cessation of additional IBORs and market adoption of corresponding RFRs.⁴⁷

Since the Commission adopted the Third Determination, two benchmarks for which linked swaps are subject to the Commission's interest rate swap

its USD SOFR interest rate swap clearing requirement; the International Swaps and Derivatives Association (ISDA) supported such timing, and no commenters opposed the implementation date. Third Determination, 87 FR at 52190–52191, 52204–52205.

⁴⁶ Bank of England, Public Register for the Clearing Obligation, Apr. 23, 2023, available at <https://www.bankofengland.co.uk/-/media/boe/files/eu-withdrawal/clearing-obligation-public-register.pdf>; European Securities and Markets Authority, Public Register for the Clearing Obligation under EMIR, June 4, 2024, available at https://www.esma.europa.eu/sites/default/files/library/public_register_for_the_clearing_obligation_under_emir.pdf; Australian Government, Federal Register of Legislation, Australian Securities and Investments Commission Derivative Transaction Rules (Clearing) 2015, Mar. 19, 2024, available at <https://www.legislation.gov.au/F2015L01960/latest/text>; Japan Securities Clearing Corporation, List of Clearing Products, available at <https://www.jpjx.co.jp/jscc/en/cash/irs/product.html> (the Japan Financial Services Agency requires the clearing of products cleared at the Japan Securities Clearing Corporation); Swiss Financial Market Supervisory Authority, Verordnung der Eidgenössischen Finanzmarktaufsicht über die Finanzmarktinfrastrukturen und das Marktverhalten im Effekten- und Derivatehandel, Dec. 8, 2022, available at https://www.finma.ch/en/-/media/finma/dokumente/dokumentencenter/anhoeerungen/abgeschlossene-anhoeerungen/20220509-finanzmarktinfrastukturverordnung/20221208_finfrav_finma_aenderungserlass.pdf?sc_lang=en&hash=6CB537D2F528B15DFA01FA1B0AD4B26.

⁴⁷ Third Determination, 87 FR at 52192 n. 94.

York Fed Launches the Reference Rate Use Committee, Sept. 26, 2024, available at <https://www.newyorkfed.org/newsevents/news/markets/2024/20240926>.

³⁴ ARRC Second Report at 6.

³⁵ FRBNY, Secured Overnight Financing Rate Data, available at <https://www.newyorkfed.org/markets/reference-rates/sofr>.

³⁶ FRBNY, Statement Regarding Publication of SOFR Averages and a SOFR Index, Feb. 12, 2020, available at https://www.newyorkfed.org/markets/opolicy/operating_policy_200212.

³⁷ See, e.g., FRB, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, Statement on LIBOR Transition, Nov. 30, 2020, available at <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20201130a1.pdf>; International Organization of Securities Commissions, Statement on Benchmarks Transition, June 2, 2021, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD676.pdf>.

³⁸ CFTC, "CFTC Market Risk Advisory Committee Adopts SOFR First Recommendation at Public Meeting," July 13, 2021, available at <https://www.cftc.gov/PressRoom/PressReleases/8409-21>; CFTC, CFTC's Interest Rate Benchmark Reform Subcommittee Issues User Guide for the Transition of Exchange-Traded Derivatives Activity to SOFR, Dec. 16, 2021, available at <https://www.cftc.gov/PressRoom/PressReleases/8469-21>.

³⁹ See, e.g., Bank of England, "The FCA and the Bank of England encourage market participants in further switch to SONIA in interest rate swap markets," Sept. 28, 2020, available at <https://www.bankofengland.co.uk/news/2020/september/fca-and-boe-joint-statement-on-sonia-interest-rate-swap>; Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks, "Transition of Quoting Conventions in the JPY interest rate swaps market ('TONA First')," July 26, 2021, available at https://www.boj.or.jp/en/paym/market/jpy_cmtc/data/cmt210726b.pdf.

clearing requirement became unavailable. CAD CDOR ceased publication on June 28, 2024.⁴⁸ Banco de México announced that 28-day MXN TIE was prohibited as a reference rate for new contracts entered into by financial entities regulated by Banco de México beginning on January 1, 2025, subject to a waiver period that allowed for the trading of new swaps referencing 28-day MXN TIE until December 31, 2025, provided such swaps did not mature after that date.⁴⁹ These transitions, which are the subject of this proposed rulemaking, are discussed in greater detail below.

C. CAD and MXN Interest Rate Benchmark Transitions

CAD CDOR ceased publication on June 28, 2024, and 28-day MXN TIE became unavailable beginning on January 1, 2025, subject to Banco de México's waiver. With respect to both interest rate benchmark transitions, as was the case with the transition away from LIBOR, benchmark administrators and working groups established a transition plan, with DCOs and market participants playing an important role in the adoption of corresponding RFRs.

1. Transition From CAD CDOR to CAD CORRA

Prior to its cessation in June 2024, CAD CDOR had been the primary wholesale interest rate benchmark in Canada, referenced in over \$20 trillion of gross notional exposure as of 2021.⁵⁰ Ninety-seven percent of that exposure was related to derivatives; namely, cleared interest rate swaps.⁵¹ CAD

CDOR was developed in the 1980s as a survey-based benchmark to determine the interest rate for bankers' acceptance (BA)-related credit facilities.⁵² CAD CDOR measured the average rate at which Canadian banks were willing to lend to corporate borrowers with existing committed BA credit facilities.⁵³ Refinitiv Benchmark Services (UK) Limited (RBSL) administered CAD CDOR from December 31, 2014 until CAD CDOR's cessation.⁵⁴ Immediately prior to its cessation, RBSL calculated CAD CDOR based on submissions from six banks and published CAD CDOR for one-month, two-month, and three-month tenors.⁵⁵

CAD CORRA, the interest rate benchmark that superseded CAD CDOR, measures the cost of overnight general collateral funding in CAD using Canadian treasury bills and bonds as collateral for repurchase (repo) transactions.⁵⁶ CAD CORRA is calculated based on overnight repo transactions between unaffiliated counterparties that are collateralized by Canadian treasury securities.⁵⁷ The underlying volume of daily transactions on which CAD CORRA is based has generally been in the range of \$15 billion to \$20 billion.⁵⁸

The Bank of Canada first published CAD CORRA in 1997.⁵⁹ RBSL was

appointed as administrator of CAD CORRA in 2014.⁶⁰ The Bank of Canada assumed the role of CAD CORRA's administrator from RBSL in June 2020 and published the benchmark under an enhanced methodology since that time.⁶¹

In 2018, the Canadian Fixed-Income Forum (CFIF), a committee established by the Bank of Canada to discuss developments, practices, and policy issues in fixed-income markets, established the Canadian Alternative Reference Rate Working Group (CARR) to help guide benchmark reform efforts in Canada.⁶² In October 2020, CFIF, in consultation with the CAD CDOR contributor banks, requested that CARR analyze the effectiveness of CAD CDOR as a benchmark in Canada and make recommendations regarding the future of CAD CDOR.⁶³

In December 2021, CARR published a white paper analyzing these issues.⁶⁴ CARR's findings, among others, included findings that the determination of CAD CDOR was based predominantly on expert judgment and that the BA lending model on which CAD CDOR was premised was no longer seen as an effective way for banks to provide credit to corporate clients.⁶⁵ Additionally, CARR noted that the departure of contributor banks could

in June," Feb. 18, 2020, available at <https://www.bankofcanada.ca/2020/02/bank-canada-begin-publishing-canadian-overnight-repo-rate-average-june/>.

⁶⁰ Thomson Reuters, "Thomson Reuters to administer two of Canada's fundamental financial benchmarks," Jan. 6, 2015, available at <https://www.thomsonreuters.com/en/press-releases/2015/january/thomson-reuters-to-administer-two-of-canadas-fundamental-financial-benchmarks.html>.

⁶¹ *Id.*; CDOR White Paper at 6–7. While CAD CDOR is a forward-looking rate (*i.e.*, the three-month CAD CDOR rate is the interest rate that will apply for the next three months), CAD CORRA is an overnight rate that reflects market activity on the previous day. To derive a CAD CORRA rate that spans a tenor period, which would make the rate easier to use in loans and floating rate notes, since April 2021, the Bank of Canada has published a CAD CORRA Compounded Index that compounds CAD CORRA settings over the relevant interest period. *Id.* at 8; Bank of Canada, Canadian Overnight Repo Rate Average, available at <https://www.bankofcanada.ca/rates/interest-rates/corra/>. In September 2023, Candeal Benchmark Solutions and TMX Datalinx launched one-month and three-month term CAD CORRA rates for use in certain loans and derivatives used to hedge them. Bank of Canada, "Term CORRA to be launched on September 5, 2023," Aug. 10, 2023, available at <https://www.bankofcanada.ca/2023/08/term-corra-to-be-launched-on-september-5-2023/>; Canadian Alternative Reference Rate Working Group, "CARR's allowable use cases for Term CORRA—Finalized," Aug. 29, 2023, available at <https://www.bankofcanada.ca/wp-content/uploads/2023/01/carr-approved-use-cases-term-corra.pdf>.

⁶² CDOR White Paper at 5.

⁶³ *Id.*

⁶⁴ See generally CDOR White Paper.

⁶⁵ *Id.* at 22–25.

⁴⁸ See Canadian Alternative Reference Rate Working Group, CDOR Transition FAQs, July 10, 2024, available at <https://www.bankofcanada.ca/wp-content/uploads/2023/08/cdor-transition-faqs.pdf> (CDOR Transition FAQs).

⁴⁹ Banco de México, "Transition from TIE with tenors greater than one business day (28, 91 and 182 days) to the Overnight TIE Funding Rate (TIE de Fondo)," Dec. 20, 2022, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B2D6F5896-CF86-3F28-0C02-98D17B7542B9%7D.pdf> (discussing the transition from MXN TIE to MXN F-TIE); Banco de México, 10th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Dec. 6, 2023, at 10, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B8AAB86C-BAD5-AD0F-513C-B465BAFDE75E%7D.pdf> (discussing the waiver period). As discussed below, Banco de México prohibited the use of 91- and 182-day MXN TIE as reference rates for new contracts entered by financial entities regulated by Banco de México as of January 1, 2024.

⁵⁰ Canadian Alternative Reference Rate Working Group, CARR's Review of CDOR: Analysis and Recommendations, Dec. 18, 2021, at 8, available at <https://www.bankofcanada.ca/wp-content/uploads/2021/12/CARR-Review-CDOR-Analysis-Recommendations.pdf> (CDOR White Paper).

⁵¹ *Id.* at 10.

⁵² A banker's acceptance is an instrument by which a bank promises to make a requested future payment.

⁵³ In this manner, CAD CDOR was distinct from LIBOR, which measured the rate at which banks were able to borrow.

⁵⁴ CDOR White Paper at 9. Thomson Reuters was appointed as administrator of CAD CDOR (for which it was already calculation agent and distributor) as well as of CAD CORRA following a tender process announced by the Canadian Bankers Association and the Investment Industry Association of Canada. Thomson Reuters, "Thomson Reuters to administer two of Canada's fundamental financial benchmarks," Jan. 6, 2015, available at <https://www.thomsonreuters.com/en/press-releases/2015/january/thomson-reuters-to-administer-two-of-canadas-fundamental-financial-benchmarks.html>; Investment Industry Association of Canada, CDOR/CORRA Administrator Tender Notice, June 2, 2014, available at <https://iiac-accvm.ca/wp-content/uploads/CDOR-CORRA-Tender-Notice.pdf>. Thomson Reuters sold Refinitiv, its financial and risk business which administered CAD CDOR, to the London Stock Exchange Group in 2021. Thomson Reuters, Thomson Reuters Announces Closing of Sale of Refinitiv to London Stock Exchange Group, Jan. 29, 2021, available at <https://www.thomsonreuters.com/en/press-releases/2021/january/thomson-reuters-announces-closing-of-sale-of-refinitiv-to-london-stock-exchange-group.html>.

⁵⁵ CDOR White Paper at 9–10.

⁵⁶ Bank of Canada, Canadian Overnight Repo Rate Average, available at <https://www.bankofcanada.ca/rates/interest-rates/corra/>.

⁵⁷ CDOR White Paper at 7.

⁵⁸ CDOR Transition FAQs.

⁵⁹ Bank of Canada, "Bank of Canada to begin publishing Canadian Overnight Repo Rate Average

further imperil CAD CDOR's robustness.⁶⁶ These observations echoed similar concerns raised with regard to LIBOR.⁶⁷

CARR recommended that CAD CDOR should cease publication after June 30, 2024, and that markets should transition to CAD CORRA.⁶⁸ CARR further recommended that the cessation should occur in two stages. The first stage would end on June 30, 2023, and would result in the transition of all new derivatives and securities exposures to CAD CORRA, with no new exposures after that date except for limited exceptions, such as derivatives that hedge or reduce CAD CDOR exposures of derivatives or securities transacted before June 30, 2024.⁶⁹ The second stage would end on June 30, 2024, after which there would be no new use of CAD CDOR, CAD CDOR would no longer be published, and applicable CAD CDOR fallbacks would come into effect for any remaining CAD CDOR exposures.⁷⁰ CARR intended this phased approach to provide firms with additional time to transition loan agreements and manage potential issues related to the repapering of legacy securities.⁷¹

In May 2022, following a public consultation,⁷² RBSL announced that the calculation and publication of all CAD CDOR tenors would permanently cease after the June 28, 2024 publication.⁷³ In August 2022, CARR published an overview of its transition roadmap for CAD CDOR, confirming its proposed two-stage cessation and announcing two "CORRA First" initiatives,⁷⁴ similar to "RFR First" plans developed in other IBOR

jurisdictions, such as SOFR First in the United States.⁷⁵ Under these initiatives, inter-dealer linear derivatives trading in CAD interest rate swaps moved from CAD CDOR to CAD CORRA on January 9, 2023, and inter-dealer non-linear derivatives (in CAD swaptions) and inter-dealer cross-currency swaps moved from CAD CDOR to CAD CORRA on March 27, 2023.⁷⁶ As CAD CDOR transition dates approached, CARR published guidance to help market participants facilitate the transition of derivatives and cash market products to CAD CORRA.⁷⁷

DCOs also played a role in the transition from CAD CDOR to CAD CORRA, much as they did in the transition from LIBOR to corresponding RFRs. Prior to the cessation of CAD CDOR, Chicago Mercantile Exchange, Inc. (CME) and LCH Limited (LCH) cleared CAD CDOR fixed-to-floating swaps with maximum termination dates of, respectively, 31 years and 41 years.⁷⁸ LCH also cleared CAD CDOR–CAD CDOR and CAD CDOR–CAD CORRA basis swaps, both with a maximum termination date of 41 years.⁷⁹ CME and LCH currently clear CAD CORRA OIS with maximum termination dates, respectively, of 31 years and 41 years.⁸⁰

CME and LCH converted CAD CDOR swaps to CAD CORRA OIS ahead of the CAD CDOR cessation.⁸¹ CME conducted

its conversion in two stages in May 2024 and July 2024.⁸² CME converted each CAD CDOR swap into a corresponding short-dated CAD CDOR swap for any representative CAD CDOR fixings that settled following CME's primary conversion,⁸³ and a forward starting CAD CORRA OIS.⁸⁴ Post-conversion, CME no longer clears CAD CDOR swaps.⁸⁵

available at <https://www.cmegroup.com/content/dam/cmegroup/notices/clearing/2024/05/Chadv24-136.pdf>; CME, CME Conversion for CAD CDOR Cleared Swaps, Jan. 2024, available at <https://www.cmegroup.com/content/dam/cmegroup/trading/interest-rates/files/cme-conversion-for-cad-cdor-cleared-swaps.pdf> (CME CAD CDOR Conversion Presentation); London Stock Exchange Group, LCH SwapClear CAD CDOR Conversion Quick Guide, Feb. 21, 2024, available at https://www.lch.com/system/files/?file=media_root/swapclear-cad-cdor-quickguide-021624-03.pdf (LCH CAD CDOR Conversion Guide).

⁸² CME conducted a two-staged conversion featuring a primary conversion on May 17, 2024 for all cleared CAD CDOR swaps with fixings beyond June 28, 2024, and a secondary conversion on July 2, 2024 for all new CAD CDOR swaps cleared following the primary conversion and that contained fixings beyond July 28, 2024. CME CAD CDOR Conversion Presentation at 6.

⁸³ Such swaps maintained CAD CDOR coupons associated with fixings prior to July 2, 2024 (the ISDA "Index Cessation Effective Date" on which CAD-denominated OTC interest rate swaps fell back to spread-adjusted CAD CORRA). The coupons were settled at the end of the last representative compounding period. *Id.* at 20.

⁸⁴ *Id.* at 6. The resulting CAD CDOR swap was created to settle all remaining fixings before the cessation date, and the resulting CAD CORRA swap was created to settle all remaining cash flows and the cash compensation fee. *Id.* at 15. The effective date for the forward starting CAD CORRA OIS was the next compound period start date immediately following the Index Cessation Event Date. *Id.* at 20. ISDA's fallback spread adjustment for CAD CORRA applied to the floating leg of the OIS; additionally, key economics of the swap being replaced were duplicated in the replacement swaps. *Id.* at 6. ISDA fallback spread adjustments are adjustments (calculated and distributed by Bloomberg) to account for structural differences between the overnight RFR and term IBOR rates, and the historical spread differences between IBORs and their term equivalent RFR compounded rates. ISDA employs a five-year median comparison calculation between the compounded in arrears RFR (*i.e.*, calculated using daily rates published during the relevant interest period rather than over a period prior to the start of the interest period) and the IBOR. ISDA, IBOR Fallback Rate Adjustments: Frequently Asked Questions, Aug. 2024, at 7, available at https://www.isda.org/a/fp8gE/Fallbacks_FAQ_V13_August-2024.pdf; see also, *e.g.*, FRBNY, SOFR "in Arrears" Conventions for Syndicated Business Loans, 2020, at 1, available at https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC_SOFR_Synd_Loan_Conventions.pdf. CME applied cash compensation as an upfront fee on the CAD CORRA replacement swap. CME CAD CDOR Conversion Presentation at 6. Cash compensation is intended to account for any differences in value between the CAD CDOR swap being converted and the corresponding replacement swaps.

⁸⁵ CME, Cleared OTC Interest Rate Swaps, available at <https://www.cmegroup.com/trading/interest-rates/cleared-otc.html> (noting, "Clearing support will be limited to spot and forward trades for swap products where an index cessation or

⁶⁶ *Id.* at 25.

⁶⁷ See Third Determination at 52219–52220.

⁶⁸ CDOR White Paper at 28.

⁶⁹ *Id.*

⁷⁰ *Id.* at 3, 28. A fallback rate is the rate provided for use in a contract if the benchmark that the contract uses becomes unavailable. ISDA, Understanding IBOR Benchmark Fallbacks, June 2, 2020, available at <https://www.isda.org/a/YZQTE/Understanding%20Benchmarks-Factsheet.pdf>. Under the ISDA 2020 IBOR Fallbacks Protocol, the fallback rate for CAD CDOR is a spread-adjusted version of CAD CORRA. See ISDA, ISDA 2020 IBOR Fallbacks Protocol, Oct. 23, 2020, at 41–42, available at <https://assets.isda.org/media/3062e7b4/08268161-pdf/>.

⁷¹ CDOR White Paper at 28.

⁷² RBSL, Canadian Dollar Offered Rate (CDOR): Consultation on Potential Cessation of CDOR, Jan. 31, 2022, available at https://www.lseg.com/content/dam/ftse-russell/en_us/documents/consultation/future-of-cdor-consultation.pdf.

⁷³ RBSL, Canadian Dollar Offered Rate (CDOR) Announcement of Cessation of CDOR in June 2024, May 16, 2022, available at https://www.lseg.com/content/dam/ftse-russell/en_us/documents/announcement/cdor-cessation-notice.pdf.

⁷⁴ CARR, Overview of CARR's Transition Roadmap, Aug. 2022, at 10, 17, available at <https://www.bankofcanada.ca/wp-content/uploads/2022/06/transition-plan-roadmap.pdf>.

⁷⁵ See, *e.g.*, CFTC, SOFR First, July 13, 2021, available at https://www.cftc.gov/media/6176/MRAC_SOFRFirstSubcommitteeRecommendation071321/download.

⁷⁶ CARR, "CARR's CORRA-first initiatives for derivatives to begin on January 9—update," Dec. 15, 2022, available at <https://www.bankofcanada.ca/2022/12/carrs-corra-first-initiatives-derivatives-begin-january-9/>.

⁷⁷ CARR, Key Documents, available at <https://www.bankofcanada.ca/markets/canadian-alternative-reference-rate-working-group/canadian-alternative-reference-rate-working-group-key-documents/>.

⁷⁸ CME, Cleared OTC Interest Rate Swaps, Download Product Scope, available at <https://www.cmegroup.com/trading/interest-rates/cleared-otc.html>; LCH, LCH Limited Self-Certification: Tenor Extensions, Jan. 25, 2022, available at https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/proposed-rule-changes/lch-ltd/lch-self-cert-hkd-nok-cad-extensions-20220125-final.pdf.

⁷⁹ LCH, LCH Limited Self-Certification: Tenor Extensions, Jan. 25, 2022, available at https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/proposed-rule-changes/lch-ltd/lch-self-cert-hkd-nok-cad-extensions-20220125-final.pdf.

⁸⁰ CME, Cleared OTC Interest Rate Swaps, Download Product Scope, available at <https://www.cmegroup.com/trading/interest-rates/cleared-otc.html>; LCH, Product Specific Contract Terms and Eligibility Criteria Manual, Nov. 2024, available at https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/rulebooks/lch-ltd/lch-product-specific-contract-terms-eligibility-for-zar-zaronia-ois-compound-241104.pdf.

⁸¹ CME, Advisory Notice # 24–136, CAD CDOR to CORRA Primary Swap Conversion—May 17,

LCH conducted its conversion of CAD CDOR fixed-to-floating swaps into market standard CAD CORRA OIS on June 8, 2024.⁸⁶ LCH's conversion entailed replacement of CAD CDOR swaps with CAD CORRA swaps,⁸⁷ with overlay CAD CDOR bookings to preserve coupons associated with CAD CDOR fixings before the CAD CDOR cessation date.⁸⁸ Post-conversion, LCH also no longer clears CAD CDOR swaps.⁸⁹

2. Transition From MXN TIE to MXN F-TIE

Banco de México began administering and publishing MXN TIE in 1995 as a more accurate reflection of the cost of funding in the Mexican banking market than the existing Average Interbank Interest Rate (la Tasa Interés Interbancaria Promedio, or TIIP by its Spanish acronym).⁹⁰ Historically, each

modification effective date has occurred. Any IBOR indexed swaps submitted for clearing will be converted to a corresponding risk free rate (RFR swap.”).

⁸⁶ LCH CAD CDOR Conversion Guide at 3.

⁸⁷ Carrying over key terms, including effective date and maturity date.

⁸⁸ *Id.* at 5. The overlay booking inherited the periodicity and fixed-leg day count fraction, as well as the effective date, of the original CAD CDOR swap, and matured when the last representative CAD CDOR period prior to cessation settled. Additionally, the CAD CDOR leg of the overlay booking replicated the CAD CDOR leg of the original CAD CDOR swap, except with a shorter maturity. *Id.* LCH's conversion process entailed CAD CDOR–CAD CORRA basis swap overlay bookings for house accounts, and pairs of CAD CDOR versus fixed and CAD CORRA versus fixed swaps for client accounts. *Id.*; LCH, “SwapClear consultation: CAD CDOR contract conversion,” Aug. 2023, at 10, available at https://www.lch.com/system/files/media_root/lch-cad-cdor-conversion-consultation.pdf. LCH applied ISDA's spread adjustment to the floating leg of the CAD CDOR OIS. LCH CAD CDOR Conversion Guide at 3–4. LCH also delivered cash compensation as an upfront fee on a new 1 CAD notional CAD CORRA OIS with a minimum remaining term to maturity. *Id.* at 6. For basis swaps, LCH made available to market participants a Unilateral Basis Splitting Tool to voluntarily split CAD CDOR basis swaps into separate CAD CDOR fixed-to-floating swaps and CAD CORRA OIS. *Id.* (CME did not support clearing of CAD CDOR basis swaps at the time of its CAD CDOR conversion. CME CAD CDOR Conversion Presentation at 8.) LCH mandatorily split any in-scope CAD CDOR basis swaps outstanding at the time of the conversion. LCH CAD CDOR Conversion Guide at 3. LCH's conversion also encompassed the CAD CDOR swaps that resulted from basis swap splitting.

⁸⁹ See generally LCH, What We Clear, available at <https://www.lseg.com/en/post-trade/clearing/lch-services/swapclear/what-we-clear>.

⁹⁰ Banco de México, Informe Anual, 1995, at 130, available at <https://www.banxico.org.mx/publicaciones-y-prensa/informes-anuales/%7B04840DAE-89CE-942C-ADCO-7F8D6DD0971D%7D.pdf>. MXN TIIP was first published in 1993 and ceased publication in 2001. Banco de México, Economic Information System, Securities Prices and Interest Rates, Interbank Interest Rates (CF111), n.3, available at [bank business day, Banco de México published 28-, 91-, and 182-day MXN TIE rates calculated based on quotations submitted by a panel of commercial banks.⁹¹](https://www.banxico.org.mx/Sieinternet/consultarDirectoriointernetAction.do?accion=</p>
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In order to foster the sound development of the financial system and abide by the recommendations of international standard-setting bodies with respect to benchmark methodology, in January 2020, Banco de México began administering and publishing MXN F-TIE as an alternative to MXN TIE.⁹² MXN F-TIE is calculated based on a volume-weighted median of daily observed MXN-denominated wholesale overnight repurchase agreement transactions settled by banks and brokerage firms and secured by debt instruments issued by the Mexican government, the Mexican Bank Savings Protection Institute (Instituto para la Protección al Ahorro Bancario, or IPAB by its Spanish acronym), Banco de México.⁹³ Banco de México also announced enhancements to governance, accountability, and quality requirements with respect to MXN TIE rates with maturities of greater than overnight, and a Code of Conduct for institutions that participate in determining MXN TIE rates.⁹⁴

In December 2022, Banco de México announced that, after careful analysis

consultarCuadro&idCuadro=CF111&sector=18&locale=en. While both MXN TIIP and MXN TIE were designed to serve as survey-based indicators of the cost of funds in the Mexican banking market, MXN TIE accounts for the supply and demand curve for such loans. See generally FSB, Progress in Reforming Major Interest Rate Benchmarks, July 9, 2015, at 15, available at <https://www.fsb.org/uploads/OSSG-interest-rate-benchmarks-progress-report-july-2015.pdf>.

⁹¹ Banco de México, Economic Information System, Securities Prices and Interest Rates, Representative Interest Rates (CA51), n.3, available at <https://www.banxico.org.mx/Sieinternet/consultarDirectoriointernetAction.do?sector=18&accion=consultarCuadroAnalitico&idCuadro=CA51&locale=en>. The 28-, 91-, and 182-day MXN TIE rates refer to the tenor of the interbank transactions that MXN TIE is intended to measure.

⁹² Banco de México, “Publication of the overnight TIE funding rate and improvement of TIE rates with longer than overnight maturities,” Jan. 15, 2020, available at <https://www.banxico.org.mx/publicaciones-y-prensa/other-announcements/%7BA3CF638-5913-1C42-1843-360A95F89A92%7D.pdf>.

⁹³ *Id.* Daily average turnover in the Mexican repo market is approximately MXN 2.4 trillion (approximately \$117 billion). International Monetary Fund, Mexico: Financial Sector Assessment Program-Technical Note on Systemic Liquidity Management, Nov. 10, 2022, at 8, available at <https://www.elibrary.imf.org/downloadpdf/view/journals/002/2022/338/article-A001-en.pdf>.

⁹⁴ *Id.* The enhancements are reflected in Banco de México Circular 3/2012, available at <https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-3-2012/%7B4E0281A4-7AD8-1462-BC79-7F2925F3171D%7D.pdf>.

conducted with the support of financial market participants in Mexico, Banco de México deemed it necessary to prohibit the use of MXN TIE rates with tenors greater than one business day as reference rates for new contracts.⁹⁵ Accordingly, Banco de México determined the following: (1) use of 91- and 182-day tenor MXN TIE as reference rates would be prohibited for new contracts entered into by financial entities regulated by Banco de México beginning on January 1, 2024; (2) use of the 28-day MXN TIE rate as a reference rate for new contracts entered into by the financial entities regulated by Banco de México would be prohibited beginning January 1, 2025; and (3) Banco de México would modify the methodology for calculation of MXN TIE with tenors greater than one business day so that contracts tied to MXN TIE with tenors greater than one business day that are still active as of the transition dates would not require adjustment through legal amendment.⁹⁶ The new methodology was based on the overnight MXN TIE rate on the day prior to the reference day being determined, compounded by the number of days of the corresponding term, with a fixed historical spread adjustment based on the historical

⁹⁵ Banco de México, “Transition from TIE with tenors greater than one business day (28, 91, and 182 days) to the Overnight TIE Funding Rate (TIE de Fondo),” Dec. 20, 2022, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B2D6F5896-CF86-3F28-0C02-98D17B7542B9%7D.pdf>. Spanish-language versions of the consultation, draft provisions, comments, and comment summary are available at <https://www.banxico.org.mx/ConsultaRegulacionWeb/> (see, under “Históricas,” “PROYECTO DE DISPOSICIONES PARA MODIFICAR LA CIRCULAR 3/2012, CON OBJETO DE ESTABLECER LAS FECHAS A PARTIR DE LAS CUALES SE RESTRINGIRÁ EL USO DE LAS TIE A PLAZOS MAYORES A UN DÍA HABIL BANCARIO, ASÍ COMO MODIFICAR LA METODOLOGÍA PARA SU CÁLCULO”). See also generally Banco de México, 7th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Mar. 2023, at 6–8, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7BA0239E58-6DE1-A4BC-D0DE-88E94841D16F%7D.pdf> (summarizing comments on the consultation). Consistency with international efforts and best practices to move interest rate swap markets from survey-based IBORs to transaction-based RFRs was a significant consideration in Banco de México's decision. Banco de México, 4th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Nov. 30, 2021, at 8, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B53572077-823D-FEA5-6B89-5D4584C21981%7D.pdf>.

⁹⁶ Banco de México, “Transition from TIE with tenors greater than one business day (28, 91, and 182 days) to the Overnight TIE Funding Rate (TIE de Fondo),” Dec. 20, 2022, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B2D6F5896-CF86-3F28-0C02-98D17B7542B9%7D.pdf>.

median of the daily differences between MXN TIE with tenors greater than one business day and MXN F-TIE from November 2017 to October 2022, compounded by the number of days of the respective term.⁹⁷

On December 6, 2023, Banco de México announced that it would grant a waiver to permit trading in new swaps referencing the legacy MXN TIE 28-day rate until December 31, 2025, provided the maturity of the transaction did not extend beyond that date.⁹⁸

Banco de México's decision to provide the waiver reflected a process that incorporated the views of affected market participants and the public in general. In September 2020, Banco de México established the Working Group on Alternative Reference Rates in Mexico (Grupo de Trabajo de Tasas de Referencia en México, or GTTR by its Spanish acronym), a private-public working group comprised of banks, brokerage houses, interdealer electronic and voice brokers, stock exchanges, financial authorities, non-banking financial entities, corporates, and others, to encourage the adoption of more robust interest rates in Mexican financial markets.⁹⁹ In the fall of 2023, concerns emerged among GTTR members that a basis mismatch could surface as MXN TIE swaps were converted to MXN F-TIE OIS.¹⁰⁰ Specifically, some market participants raised concerns that, if a market participant has a bilateral 28-day MXN TIE interest rate swap contract with a corporate client that does not settle through a clearinghouse, and the risk of that contract is covered with a contract that settles through a clearinghouse, then following a conversion of MXN TIE swaps to MXN F-TIE OIS at the clearinghouse, a basis would be generated between the uncleared MXN TIE swap and the cleared MXN F-TIE

OIS resulting from the conversion of the cleared MXN TIE swap.¹⁰¹

The GTTR engaged in consultations to identify solutions to mitigate the impact of such basis risk.¹⁰² The GTTR found that 44% of the institutions that participated in the consultations indicated that they would be affected by such basis risk following an MXN TIE swap conversion.¹⁰³ The GTTR subsequently identified granting a waiver until the end of 2025 to trade MXN TIE swaps expiring before that time as a means to address the issue of basis risk (*i.e.*, by providing market participants with additional time to cover their basis risk).¹⁰⁴ On March 5, 2024, Banco de México published a consultation on a proposal to amend its MXN TIE to MXN F-TIE transition timeline by granting a waiver for certain limited usage of MXN TIE through 2025.¹⁰⁵ On June 7, 2024, Banco de México finalized amendments to its transition timeline to account for the waiver period.¹⁰⁶

Until the end of 2025, two registered DCOs cleared MXN TIE swaps and MXN F-TIE OIS. CME and LCH cleared fixed-to-floating interest rate swaps that reference 28-day MXN TIE for a maximum stated termination date of, respectively, 31 years and 21 years.¹⁰⁷ Both DCOs no longer offer fixed-to-floating interest rate swaps that reference 28-day MXN TIE for clearing. Now CME and LCH clear OIS that

reference MXN F-TIE for a maximum stated termination date of, respectively, 31 years and 21 years.¹⁰⁸

Additionally, Asigna, a Mexican clearinghouse that is currently neither a registered DCO nor an exempt DCO, clears MXN F-TIE OIS with a maximum stated termination date range of 30 years.¹⁰⁹

In November 2024, CME and LCH launched programs to convert cleared MXN TIE swaps into market standard MXN TIE OIS, as did Asigna.¹¹⁰

CME ran a primary conversion event on November 22, 2024, converting 28-day MXN TIE swaps with scheduled fixings on or after December 3, 2025.¹¹¹

¹⁰⁸ CME, Cleared OTC Interest Rate Swaps, Download Product Scope, available at <https://www.cmegroup.com/trading/interest-rates/cleared-otc.html>; LCH, Product Specific Contract Terms and Eligibility Criteria Manual, Nov. 2024, available at <https://www.lseg.com/content/dam/post-trade/en-us/documents/lch/rulebooks/lch-ltd/lch-product-specific-contract-terms-eligibility-for-zar-zaronia-ois-compound-241104.pdf>.

¹⁰⁹ MexDer, Terms and Conditions for the Nominal Fixed Interest Rates and Nominal Variable 28-Day Interbank Equilibrium Interest Rates (TIE28) Swap Contract, available at http://www.mexder.com.mx/wb3/wb/MEX/MEX_Repositorio/vtp/MEX/2052_swaps_contracts/_rid/21/_mto/3/20241115ENGLISHCGCS_CONTRATO_SWAP_TIE28.pdf?repfo=view&rept=2052_swaps_contracts&repfiddoc=8723&repinline=true; MexDer, Terms and Conditions for the Nominal Fixed Interest Rates and the Nominal Variable Interest Rates (TIE de Fondo) Swap Contract, available at http://www.mexder.com.mx/wb3/wb/MEX/MEX_Repositorio/vtp/MEX/2052_swaps_contracts/_rid/21/_mto/3/20241115CGCs_Swaps_de_TIE_de_Fondo_EN.pdf?repfo=view&rept=2052_swaps_contracts&repfiddoc=8722&repinline=true.

¹¹⁰ Asigna, "AVISO A SOCIOS LIQUIDADORES, PLATAFORMAS DE NEGOCIACIÓN, OPERADORES Y PÚBLICO EN GENERAL," Dec. 20, 2024, available at http://www.asigna.com.mx/wb3/wb/ASG/ASG_repositorio/vtp/ASG/11a0_2024/_rid/124/_mto/3/20241220_Segunda_Conversion.pdf?repfo=view&rept=11a0_2024&repfiddoc=21973&repinline=true; see also Asigna, Funding TIE Swap and Rate Conversion, available at https://bmv.com.mx/docs-pub/ASSETS/TIE_Fondeo_Ingles_V5.pdf; Asigna, "AVISO A SOCIOS LIQUIDADORES, PLATAFORMAS DE NEGOCIACIÓN, OPERADORES Y PÚBLICO EN GENERAL," Oct. 16, 2024, available at http://www.asigna.com.mx/wb3/wb/ASG/ASG_repositorio/vtp/ASG/2469_banners/_rid/124/_mto/3/TIE_Fondeo_Espanol_difusion.pdf?repfo=view&rept=2469_banners&repfiddoc=20752&repinline=true. Post-conversion, Asigna clears only MXN TIE swaps that will mature before the end of Banco de México's waiver period. Asigna, "AVISO A SOCIOS LIQUIDADORES, PLATAFORMAS DE NEGOCIACIÓN, OPERADORES Y PÚBLICO EN GENERAL," Oct. 16, 2024, at 3, available at http://www.asigna.com.mx/wb3/wb/ASG/ASG_repositorio/vtp/ASG/2469_banners/_rid/124/_mto/3/TIE_Fondeo_Espanol_difusion.pdf?repfo=view&rept=2469_banners&repfiddoc=20752&repinline=true.

¹¹¹ CME, Conversion Plan: CME Cleared MXN TIE Interest Rate Swaps, Mar. 2024, at 2, available at <https://www.cmegroup.com/articles/files/2024/proposal-for-cme-cleared-mxn-tie-interest-rate-swaps-2024-03.pdf>. CME noted that, due to market conventions for 28-day MXN TIE fixings, 28-day

⁹⁷ *Id.* The changes are reflected in Circular 3/2012 (new methodology for calculating MXN TIE with tenors greater than one business day) and Circular 14/2007 (changes regarding restrictions on the use of MXN TIE).

⁹⁸ Banco de México, 10th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Dec. 6, 2023, at 10, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B8AAAB86C-BAD5-AD0F-513C-B465BAFDE75E%7D.pdf>.

⁹⁹ Banco de México, "Establishment of the Working Group on Alternative Reference Rates in Mexico," Sept. 30, 2020, available at <https://www.banxico.org.mx/publications-and-press/other-announcements/%7B24C11AC6-7368-9BC4-DCE7-6FAD5103ADAA%7D.pdf>.

¹⁰⁰ Banco de México, 6th Meeting of the Working Subgroup on Derivative Instruments Referenced to the Funding TIE of the GTTR, Oct. 30, 2023, at 3, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B77DD82E8-D6CC-D5B4-345B-CEDFE130EEC5%7D.pdf>.

¹⁰¹ *Id.*

¹⁰² *Id.* at 10–13.

¹⁰³ Banco de México, 10th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Dec. 6, 2023, at 3, 5, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B8AAAB86C-BAD5-AD0F-513C-B465BAFDE75E%7D.pdf>.

¹⁰⁴ Banco de México, 11th Meeting of the Working Subgroup on Derivative Instruments Referenced to the Funding TIE of the GTTR, Feb. 1, 2024, at 5, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B5419A19-1C19-9ED4-F429-8518FF28516E%7D.pdf>.

¹⁰⁵ Banco de México, "Exceptions to the restrictions on the use of the 28-day TIE as an underlying in swaps held during 2025," Mar. 5, 2024, available at <https://www.banxico.org.mx/publicaciones-y-prensa/miscelaneos/%7B4098A198-7A37-2F61-B2E4-B23BB099DC35%7D.pdf> (title translated from original Spanish).

¹⁰⁶ Banco de México, Circular 9/2024, June 7, 2024, available at <https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-4-2012/%7B416701BC-FBE2-A422-6224-9D9E666ABA6A%7D.pdf>.

¹⁰⁷ CME, Cleared OTC Interest Rate Swaps, Download Product Scope, available at <https://www.cmegroup.com/trading/interest-rates/cleared-otc.html>; LCH, Product Specific Contract Terms and Eligibility Criteria Manual, Nov. 2024, available at <https://www.lseg.com/content/dam/post-trade/en-us/documents/lch/rulebooks/lch-ltd/lch-product-specific-contract-terms-eligibility-for-zar-zaronia-ois-compound-241104.pdf>.

In light of Banco de México's waiver, CME continued to clear 28-day MXN TIE swaps that did not contain fixings on or after December 3, 2025.¹¹² CME then converted as part of daily conversion cycles new 28-day MXN TIE swaps submitted to clearing after the primary conversion and that contained fixings on or after December 3, 2025.¹¹³ In publicly available conversion planning materials, CME noted that after its primary conversion, MXN F-TIE was expected to become the primary pool of liquidity for MXN-denominated interest rate swaps, and trading in new 28-day MXN TIE swaps would be limited.¹¹⁴ The methodology and structure of CME's MXN TIE swap conversion was similar to those of other CME conversions.¹¹⁵ CME's conversion plan entailed the end of support for MXN TIE swap clearing services as of the end of 2025.¹¹⁶

On November 23, 2024, LCH converted in-scope 28-day MXN TIE swaps to MXN F-TIE OIS equivalents, with overlay bookings to capture periods on the original trade that rely on a fixing that occurred after December 2, 2025, similar to LCH's process for converting CAD CDOR swaps to CAD CORRA OIS.¹¹⁷ To account for Banco de México's waiver, any MXN TIE trades that were fully fixed on or before December 2, 2025, were not subject to conversion.¹¹⁸ Such swaps remained

MXN TIE swaps with fixings including and after December 3, 2025, would not be covered by Banco de México's waiver. *Id.* at 1.

¹¹² *Id.* at 2.

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ CME replaced the MXN TIE swap being converted with a short-dated MXN TIE replacement swap and a forward-starting MXN F-TIE OIS, applying a fixed spread adjustment calculated by Banco de México to the MXN F-TIE OIS, and applying cash compensation as an upfront fee on the MXN F-TIE OIS. *Id.*

¹¹⁶ *Id.* See also CME, Product Delisting Summary—MXN 28D TIE Swap Clearing—Effective January 02, 2026, Jan. 2, 2026, available at <https://www.cmegroup.com/notices/clearing/2026/01/26-001.html> (noting CME was discontinuing clearing support as of January 2, 2026).

¹¹⁷ LCH, LCH Consultation on Conversion of Outstanding Cleared MXN 28D-TIE Contracts, Dec. 20, 2023, available at <https://www.lch.com/membership/ltd-membership/ltd-member-updates/lch-consultation-conversion-outstanding-cleared-mxn-0>.

¹¹⁸ LCH, LCH Conversion of Outstanding Cleared MXN 28D-TIE Contracts, Feb. 16, 2024, available at <https://www.lch.com/membership/ltd-membership/ltd-member-updates/lch-conversion-outstanding-cleared-mxn-28d-tie#:-:text=MXN%2028D-TIE%20trades%20relying%20on%20fixings%20occurring%20after,2025%20will%20not%20be%20subject%20to%20LCH%20conversion>. October 10, 2024, LCH announced that, considering the limited uptake of MXN F-TIE OIS and continued robust liquidity in MXN TIE swaps, it would adjust its

eligible for clearing at LCH; however, LCH, like CME, removed clearing support for MXN TIE swaps as of the end of 2025.¹¹⁹

II. Domestic and International Coordination and Outreach

The transitions from CAD CDOR to CAD CORRA and MXN TIE to MXN F-TIE are further milestones, following the transition away from LIBOR, in a continuing effort by international standard-setting bodies such as International Organization of Securities Commissions (IOSCO) and the FSB, regulators, cross-jurisdictional working groups, market infrastructure providers, market participants, and others, to move global swap markets toward reliance on more sustainable benchmarks. Due to the cross-border nature of this effort and the size of the affected markets, it is a priority for the Commission to engage with domestic and international regulators as it considers changes to the clearing requirement.

A. Domestic Coordination Efforts

The Commission is committed to working with the FRB, the FRBNY, the Securities and Exchange Commission (SEC), and other domestic authorities to ensure transparency in its efforts and, to the greatest extent possible, consistency in the transition from IBORs to RFRs. To this end, the Commission consults with domestic authorities including the SEC, the FRB, and the FRBNY as part of this rulemaking process.

B. International Coordination Efforts

Section 752(a) of the Dodd-Frank Act directs the Commission to consult and coordinate with foreign regulatory authorities on the establishment of consistent international standards for the regulation of swaps.¹²⁰ The Commission accomplished this with respect to the Second Determination by considering the ways in which it could harmonize its clearing requirement with clearing requirements in other jurisdictions.¹²¹ The Commission has

methodology for calculating cash compensation to incorporate projected MXN F-TIE rates derived from projected 28-day MXN TIE rates (as opposed to relying on MXN F-TIE market data alone). See LCH, MXN 28D-TIE Conversion Update, Oct. 10, 2024, available at <https://www.lch.com/membership/ltd-membership/ltd-member-updates/mxn-28d-tie-conversion-update>.

¹¹⁹ See LCH, "LCH Limited Self-Certification: Removal of eligibility of MXN TIE Swap Clear transactions," Nov. 28, 2025, available at https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/proposed-rule-changes/lch-ltd/lch-ltd-self-certification-removal-of-eligibility-of-mxn-tie-swap-clear-transactions.pdf (noting LCH was discontinuing clearing support as of January 1, 2025).

¹²⁰ Section 752 is not codified in the CEA.

¹²¹ Second Determination, 81 FR at 71203.

long recognized the interconnectedness of the interest rate swap market, and the importance of consulting and coordinating with its counterparts in other jurisdictions in the adoption of clearing requirements in order to promote regulatory consistency and certainty, and to prevent the evasion of clearing requirements.¹²²

As part of this rulemaking process, and consistent with the Third Determination, the Commission is working with its counterparts overseas to ensure a coordinated approach to required clearing of interest rate swaps during the move from use of swaps referencing IBORs to swaps referencing RFRs. As part of the ongoing regulatory dialogue among authorities, Commission staff consulted with counterparts, including those at Banco de México and the Canadian Securities Administrators (CSA). This type of dialogue reflects an effort to ensure consistency in interest rate swap clearing requirements across jurisdictions.

C. Clearing Requirements in Other Jurisdictions

In developing this proposal, the Commission considered relevant changes to clearing requirements in other jurisdictions, ensuring that any changes the Commission proposes are harmonized to the greatest extent possible with those adopted by its international counterparts. This goal is consistent with the Commission's approach in the Second Determination and in the Third Determination.

Both the United States and Canada require clearing of CAD-denominated, CAD CDOR-referenced fixed-to-floating swaps with a stated termination date range of 28 days to 30 years, and CAD-denominated, CAD CORRA-referenced OIS with a stated termination date range of 7 days to 2 years.¹²³ No other

¹²² E.g., Third Determination, 87 FR at 52189 (discussing comments on the Commission's third proposed clearing requirement determination supporting the Commission's goal of harmonizing its clearing requirement with those of non-U.S. jurisdictions); Second Determination, 81 FR at 71223 (noting that "the interest rate swaps market is global and market participants are interconnected"); First Determination, 77 FR at 74287 ("The Commission is mindful of the benefits of harmonizing its regulatory framework with that of its counterparts in foreign countries. The Commission has therefore monitored global advisory, legislative, and regulatory proposals, and has consulted with foreign regulators in developing the final regulations.").

¹²³ 17 CFR 50.4(a); CSA, CSA Notice of Publication—Amendments to National Instrument 94–101 Mandatory Central Counterparty Clearing of Derivatives and Changes to Companion Policy 94–101 Mandatory Central Counterparty Clearing of Derivatives, Jan. 27, 2022, available at <https://>

Continued

jurisdiction has a CAD-denominated interest rate swap clearing requirement.

On September 19, 2024, the CSA published for public comment proposed amendments to Canada's interest rate swap clearing requirement.¹²⁴ Citing the decrease (or cessation) of use of certain swaps referencing IBORs, and the adoption of RFRs and the corresponding increase in the liquidity of RFR swaps and in the systemic importance of RFRs, the CSA proposed to remove certain categories of swaps from Canada's interest rate swap clearing requirement, and add certain other categories of swaps. Specifically, the CSA proposed to remove its clearing requirement in each of the fixed-to-floating, basis swap, OIS, and FRA classes, as applicable, with respect to swaps referencing CAD CDOR, USD LIBOR, GBP LIBOR, and EUR EONIA.¹²⁵ The CSA additionally proposed to add a clearing requirement for OIS referencing USD SOFR (7 days to 50 years) and EUR €STR (7 days to 3 years) and to modify the clearing requirement for OIS referencing GBP SONIA to include maturities of 7 days to 50 years.¹²⁶ The CSA also proposed to modify its requirement to clear CAD CORRA OIS to include maturities of 7 days to 30 years.¹²⁷

In proposing modifications to its interest rate swap clearing requirement,

www.osc.ca/sites/default/files/2022-01/csa_20220127_94-101_mandatory-central-counterparty.pdf.

¹²⁴ CSA, B.6.1 CSA Notice of Consultation—Proposed Amendments to National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives, Sept. 19, 2024, available at https://www.osc.ca/sites/default/files/2024-09/csa_20240919_notice-consultation-amendments-94-101.pdf. The comment period for the consultation closed on December 19, 2024.

¹²⁵ *Id.*

¹²⁶ The CSA's proposed removal of the clearing requirement with respect to certain CAD CDOR, USD LIBOR, GBP LIBOR, and EUR EONIA swaps, addition of a clearing requirement with respect to certain USD SOFR and EUR €STR OIS, and modification of its GBP SONIA OIS clearing requirement, would be consistent with the Commission's own interest rate swap clearing requirement with respect to the same categories of swaps. See 17 CFR 50.4(a).

¹²⁷ CSA, B.6.1 CSA Notice of Consultation—Proposed Amendments to National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives, Sept. 19, 2024, available at https://www.osc.ca/sites/default/files/2024-09/csa_20240919_notice-consultation-amendments-94-101.pdf. In addition, the CSA proposed to require clearing for fixed-to-float interest rate swaps referencing the Australian dollar (AUD) Bank Bill Swap Rate (BBSW) (28 days to 30 years), and three credit default swap indexes: CDX.NA.IG with tenors of five and ten years (Series 46 and all subsequent Series), CDX.NA.HY with a tenor of 5 years (Series 46 and all subsequent Series), and iTraxx Europe with a tenor of 5 years (Series 45 and all subsequent Series). These proposed modifications are consistent with the Commission's own interest rate swap and credit default swap clearing requirement. See 17 CFR 50.4.

the CSA reviewed the suitability of adding certain swaps to its clearing requirement. It considered factors including: (i) the availability of the derivative to be cleared by a regulated clearing agency; (ii) the level of standardization of the derivative; (iii) the effect of central clearing of the derivative on the mitigation of systemic risk, taking into account the size of the market for the derivative and the available resources of the regulated clearing agency to clear the derivative; (iv) whether mandating the derivative or class of derivatives to be cleared would bring undue risk to regulated clearing agencies; (v) the current liquidity in the market for the derivative or class of derivatives; (vi) the existence of capacity, operational expertise, and resources, with respect to a regulated clearing agency; and (vii) international harmonization.¹²⁸ The CSA noted that, in developing its proposal, it analyzed data reported by market participants to designated or recognized trade repositories in accordance with applicable regulations, and held discussions with recognized central counterparties.¹²⁹ On September 25, 2025, the CSA finalized these amendments.¹³⁰

Only the U.S. and Mexico required MXN TIE swaps to be cleared. Regulation § 50.4 requires clearing of fixed-to-floating swaps denominated in MXN that reference TIE—BANXICO, for a stated termination date range of 28 days to 21 years.¹³¹ Following a consultation launched on June 2, 2023, Banco de México amended its rules for the execution of derivatives transactions to replace its requirement to clear MXN TIE fixed-to-floating swaps with a stated termination date range of 56 days to 30 years with a requirement to clear

¹²⁸ CSA, B.6.1 CSA Notice of Consultation—Proposed Amendments to National Instrument 94-101 Mandatory Central Counterparty Clearing of Derivatives, Sept. 19, 2024, available at https://www.osc.ca/sites/default/files/2024-09/csa_20240919_notice-consultation-amendments-94-101.pdf.

¹²⁹ The CSA noted that as part of its analysis, for a review period of April 2023 to September 2023, and using data reported by market participants, the CSA analyzed monthly volume by assessing the number of transactions and the gross notional amount outstanding for certain OTC derivatives, including the gross notional by maturity, and the percentage of outstanding notional cleared each month of the reference period. *Id.*

¹³⁰ CSA, "CSA adopts amendments to mandatory central counterparty clearing of derivatives," Sept. 25, 2025, available at <https://www.securities-administrators.ca/news/csa-adopts-amendments-to-mandatory-central-counterparty-clearing-of-derivatives/>; see also Ontario Securities Commission, National Instrument 94-101, available at https://www.osc.ca/sites/default/files/2026-01/ni_20260119_94-101_unofficial-consolidation.pdf (unofficial consolidation).

¹³¹ 17 CFR 50.4(a).

MXN F—TIE OIS with a stated termination date range of 28 days to 30 years, with the modifications entering into force on January 1, 2025.¹³² In amending its clearing requirement, Banco de México considered: (i) the degree of standardization of the terms and conditions of the derivatives transactions; (ii) the liquidity, depth, traded volume, and size of the derivatives transactions in the Mexican market; (iii) the number and type of entities that can trade and clear the derivatives transactions; (iv) the availability of pricing sources that are reasonable, reliable, and generally accepted; (v) the systemic risk associated with the execution of the derivatives transactions, and its impact on the stability of the Mexican financial system; (vi) the existence of companies that manage systems to facilitate trading of the products authorized by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or CNBV by its Spanish acronym), or foreign institutions that perform functions similar to those carried out by such companies that are recognized by the CNBV on which the derivatives transactions are traded; (vii) the existence of a clearinghouse or foreign institution that acts as a central counterparty, recognized by Banco de México, at which the derivatives transactions are cleared and settled; and (viii) the effect on competition, considering the fees associated with trading and clearing.¹³³

¹³² Spanish-language versions of the consultation, draft provisions, comments, and comment summary are available at <https://www.banxico.org.mx/ConsultaRegulacionWeb/> (see, under "Históricas," "PROYECTO DE DISPOSICIONES PARA MODIFICAR LA CIRCULAR 4/2012 DEL BANCO DE MÉXICO, CON OBJETO DE ESTABLECER LAS FECHAS A PARTIR DE LAS CUALES SE RESTRINGIRÁ EL USO DE LAS TIE A PLAZOS MAYORES A UN DÍA HÁBIL BANCARIO COMO REFERENCIA PARA NUEVAS OPERACIONES"). The modifications are reflected in Banco de México Circular 7/2023, Sept. 8, 2023, available at <https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-4-2012/%7B7D759428-892F-AD66-CF4F-B3D768ABD59A%7D.pdf> and in Banco de México Circular 4/2012, available at <https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-4-2012/%7B97C62974-1C94-19AE-AB5A-D0D949A36247%7D.pdf>. See also Banco de México, 9th Meeting of the Working Group on Alternative Reference Rates in Mexico (GTTR), Aug. 15, 2023, at 4–6, available at <https://www.banxico.org.mx/markets/mexican-alternative-reference-rates-working-group/d/%7B0048779F-A14D-C07F-90F7-24E5E604E1D4%7D.pdf> (summarizing the consultation and results).

¹³³ Banco de México Circular 7/2023, Sept. 8, 2023, available at <https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-7-2023/>.

III. Proposed Amendments to Regulation § 50.4(a)

As described above, the global swap marketplace has made tremendous progress in transitioning from reliance on swaps that reference IBORs to clearing and trading swaps that reference RFRs. Although this transition has occurred with respect to LIBOR and certain other IBORs, it is ongoing with respect to other benchmarks. The Commission intends to facilitate the transition from IBORs to RFRs further by modifying its interest rate swap clearing requirement to reflect the unavailability of CAD CDOR and MXN TIE and the market adoption of CAD CORRA and MXN F-TIE.

A. Overview of the Proposed Regulation

The Commission is proposing to amend regulation § 50.4(a) to (i) modify its CAD CORRA OIS clearing requirement; (ii) add a requirement to clear MXN F-TIE OIS; and (iii) remove its requirement to clear CAD CDOR and MXN TIE fixed-to-floating interest rate swaps.¹³⁴

Consistent with the Third Determination, in many respects, this proposal is an update rather than expansion of the existing clearing requirement, as it reflects the market transition away from the use of IBOR interest rate benchmarks to RFR interest rate benchmarks in the interest rate swaps market. With respect to the transition from CAD CDOR to CAD CORRA, the Commission's proposal would expand the stated termination date range for CAD CORRA OIS subject to the clearing requirement and remove the requirement to clear fixed-to-floating swaps referencing CAD CDOR to reflect that CAD CDOR has ceased publication and liquidity has shifted into corresponding CAD CORRA OIS. With respect to the transition from MXN TIE to MXN F-TIE, the Commission's proposal would add a requirement to clear MXN F-TIE OIS and remove the requirement to clear fixed-to-floating swaps referencing MXN TIE.

As discussed further below, the Commission is proposing that these amendments to part 50 to require clearing for CAD CORRA and MXN F-TIE OIS become effective 30 days after publication of the final rule in the **Federal Register**.

Specifically, the Commission is proposing to amend regulation § 50.4(a) as follows:

1. Effective 30 days after publication of the final rule in the **Federal Register**:

a. Change the stated termination date range for swaps denominated in CAD that reference CAD CORRA as a floating rate index in the OIS class to be seven days to 30 years.

b. Add to the OIS class swaps denominated in MXN that reference MXN F-TIE as a floating rate index with a stated termination date range of 28 days to 21 years.

c. Remove swaps denominated in CAD that reference CAD CDOR as a floating rate index from the fixed-to-floating swap class.

d. Remove swaps denominated in MXN that reference MXN TIE as a floating rate index from the fixed-to-floating swap class.

Request for Comment

The Commission requests comment on the proposed modifications to regulation § 50.4(a). In particular, the Commission requests comment on whether it should adopt a clearing requirement determination for MXN F-TIE OIS that includes OIS with maturities beyond 21 years.

B. Modifications to the Clearing Requirement

In addition to modifying the clearing requirement for CAD CORRA OIS and adding a clearing requirement for MXN F-TIE OIS, this proposal would modify the existing clearing requirement to reflect the unavailability of CAD CDOR and MXN TIE. CAD CDOR ceased publication, and MXN TIE was prohibited for use in new swaps effective January 1, 2025. As explained above, CME and LCH converted cleared CAD CDOR swaps into CAD CORRA OIS, and CAD CDOR swaps are no longer offered for clearing. The Commission has preliminarily determined to update the clearing requirement for CAD-denominated interest rate swaps, where CAD CDOR swaps are no longer offered for clearing and have been replaced by CAD CORRA OIS. The Commission also has preliminarily determined to update the clearing requirement for MXN-denominated interest rate swaps where MXN TIE is generally unavailable as a benchmark interest rate for use in new swaps, DCOs clearing MXN TIE swaps have converted those swaps to MXN F-TIE OIS, and liquidity in MXN TIE swaps has shifted into MXN F-TIE OIS. Both CME and LCH ceased offering clearing services for MXN TIE swaps by January 1, 2025.

Request for Comment

The Commission requests comment regarding implementing changes to the existing interest rate swap clearing requirement, including any concern about the removal of the MXN TIE interest rate swap clearing requirement.

IV. Proposed Determination Analysis For CAD CORRA and MXN F-TIE OIS

The Commission is proposing to modify its interest rate swap clearing requirement to include additional OIS referencing CAD CORRA and OIS referencing MXN F-TIE by adopting a new clearing requirement determination. The Commission completed a review of the current CAD CORRA and MXN F-TIE OIS offered for clearing in order to consider the specific statutory factors required to make a preliminary clearing requirement determination.

A. General Description of Information Considered

CME and LCH provided the Commission with submissions pursuant to regulation § 39.5(b) relating to CAD CORRA and MXN F-TIE OIS.¹³⁵ In addition to CME's and LCH's submissions, the Commission considers the ability of each DCO to clear CAD CORRA and MXN F-TIE OIS, DCO swap data, swap data repository (SDR) data, publicly available data, and the rule frameworks and risk management policies of each DCO.

As with the Third Determination, this proposed clearing requirement determination responds to public and private sector, consensus-driven market events that have resulted, or are expected to result, in liquidity shifting to alternative reference rates from rates that have become, or will soon become, unavailable. Accordingly, because markets for RFR OIS, such as CAD CORRA and MXN F-TIE OIS, rely on benchmark rates that are less susceptible to manipulation, central clearing in these markets may offer unique benefits that prior interest rate swap market clearing did not.¹³⁶ As a result of this, and in light of the actual market adoption of CAD CORRA and MXN F-TIE OIS and DCOs' willingness to provide clearing for these, among other, RFR swaps, the Commission preliminarily finds that the CAD CORRA and MXN F-TIE swap markets

de-mexico/circular-4-2012/%7B7D759428-892F-AD66-CF4F-B3D768ABD59A%7D.pdf.

¹³⁴ The Commission does not require clearing of basis swaps or FRAs that reference CAD CDOR or MXN TIE.

¹³⁵ Regulation § 39.5(b) submissions from DCOs are available on the Commission's website, www.cftc.gov, under DCO Swaps Submissions.

¹³⁶ A discussion of the costs and benefits of this proposed rulemaking appears below.

should be prepared for this proposed clearing requirement determination.

B. Consistency With DCO Core Principles

Section 2(h)(2)(D)(i) of the CEA requires the Commission to determine, with respect to reviews initiated by public submissions, whether the submission is consistent with core principles for DCOs set forth in section 5b(c)(2) of the CEA.¹³⁷ CME and LCH are registered DCOs, and currently clear CAD CORRA and MXN F–TIE OIS. CME and LCH are required to comply with the DCO core principles and applicable Commission regulations with respect to CAD CORRA and MXN F–TIE OIS and are subject to the Commission’s DCO examination and risk surveillance programs.

CME and LCH should be able to maintain compliance with the DCO core principles and applicable Commission regulations if the Commission adopts a clearing requirement determination for CAD CORRA and MXN F–TIE OIS. For the reasons discussed below, the Commission has preliminarily determined that subjecting MXN F–TIE OIS and additional CAD CORRA OIS to a clearing requirement is unlikely to impair CME’s and LCH’s ability to comply with the DCO core principles, along with applicable Commission regulations.

Request for Comment

The Commission requests comment as to whether the proposed determination would adversely affect any DCO’s ability to comply with the DCO core principles.

C. Consideration of the Five Statutory Factors

Set forth below is the Commission’s consideration of the five factors set forth in section 2(h)(2)(D)(ii) of the CEA as they relate to OIS (i) denominated in CAD and referencing CAD CORRA and (ii) denominated in MXN and referencing MXN F–TIE.¹³⁸

1. Factor (I)—Outstanding Notional Exposures and Trading Liquidity

The first of the five factors under section 2(h)(2)(D)(ii) of the CEA requires the Commission to consider “the existence of significant outstanding notional exposures, trading liquidity, and adequate pricing data” related to “a submission made [by a DCO].”¹³⁹ The Commission reviewed data from multiple sources, including, but not limited to, data from SDRs, data from DCOs, and other, publicly available data. For purposes of this proposed rulemaking, the Commission principally presents notional exposure and trading liquidity information based on the Commission’s own collected data, as described below.

a. Outstanding Notional Exposures and Trading Liquidity

In assessing outstanding notional exposures and trading liquidity for a swap, the Commission reviews data to determine whether there is an active market for the swap, including whether there is a measurable amount of notional exposure and whether the swap is traded regularly as reflected by trade count, such that a DCO can adequately risk manage the swap. With respect to CAD CORRA and MXN F–TIE OIS, the data indicates that there is sufficient outstanding notional exposure and trading liquidity to support a clearing requirement determination. Specifically, the data presented below generally demonstrates that there is significant and steady activity in new CAD CORRA and MXN F–TIE OIS trading, with little to no notional still being transacted in CAD CDOR and MXN TIE fixed-to-floating swaps.¹⁴⁰ The Commission compiled the data used in tables 1–4 below from transaction data collected under part 45 of the Commission’s regulations.¹⁴¹

In Table 1 below, the Commission provides estimates of notional amounts transacted by month for CAD CORRA and MXN F–TIE OIS and CAD CDOR and MXN TIE fixed-to-floating swaps, for the period beginning January 1, 2026 and ending March 31, 2026.

TABLE 1—ESTIMATED NOTIONAL TRANSACTED
[USD billions]¹⁴²

Product	January 2026	February 2026	March 2026
CAD CDOR Fixed-to-Floating Swaps	\$0	\$0	\$0
CAD CORRA OIS	2,735	1,520	1,666
MXN TIE Fixed-to-Floating Swaps	0	0	0
MXN F–TIE OIS	428	620	1,004

Table 2 below provides estimates of trade counts for the same categories of swaps during the same three-month period. The data in Table 2 indicates

that, with respect to CAD CORRA OIS, monthly trade count was relatively consistent between January 2026 and March 2026. Conversely, trade counts

for CAD CDOR fixed-to-floating swaps stand at zero. With respect to MXN-denominated interest rate swaps, from January 2026 through March 2026, there

¹³⁷ 7 U.S.C. 2(h)(2)(D)(i). The core principles address numerous issues, including financial resources, participant and product eligibility, risk management, settlement procedures, default management, system safeguards, reporting, recordkeeping, public information, and legal risk, among other subjects. 7 U.S.C. 7a–1(c)(2). The Commission implemented the core principles through regulations that are applicable to registered DCOs. 17 CFR part 39.

¹³⁸ The Commission is conducting this analysis only with respect to the swaps that would be added to the clearing requirement under this proposed determination. Modifications to the clearing requirement, such as removing swaps that are no longer offered for clearing from regulation § 50.4, are not considered in this analysis.

¹³⁹ 7 U.S.C. 2(h)(2)(D)(ii).

¹⁴⁰ See Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps To Account for the Transition From LIBOR and Other IBORs to Alternative Reference Rates, 87 FR 32898, 32917 (May 31, 2022). In proposing a clearing requirement determination for USD SOFR OIS, the Commission noted that, while the transition of liquidity from USD LIBOR fixed-to-floating swaps to USD SOFR OIS was well underway, it was not yet complete, with the amount of notional transacted in January 2022 in USD SOFR OIS still less than half that of the amount of notional transacted during the same month in USD LIBOR fixed-to-floating swaps.

¹⁴¹ The data presented in these tables is the same as the data used to create the Commission’s Weekly Swaps Report. This data represents only those swaps that are reported to the CFTC’s registered SDRs by swap market participants. The

Commission’s weekly swaps report currently incorporates data from three SDRs (CME Group SDR, DTCC Data Repository, and ICE Trade Vault). The raw SDR data has been filtered to represent, as accurately as possible, the market-facing trades that occur and excludes certain inter-affiliate transactions. For more information about the data components in the weekly swaps report, please visit the CFTC’s web page available at: <https://www.cftc.gov/MarketReports/SwapsReports/index.htm>.

¹⁴² The data in Table 1 is based on the Commission’s weekly swaps report data. In this table, a notional figure of \$0 billion indicates that the notional transacted during a given period was less than \$1 billion. Additionally, in this table, notional figures are rounded to the nearest whole billion.

was a significant number of transactions in MXN F-TIE OIS alongside

comparatively few transactions in MXN TIE fixed-to-floating swaps.

TABLE 2—ESTIMATED TRADE COUNT ¹⁴³

Product	January 2026	February 2026	March 2026
CAD CDOR Fixed-to-Floating Swaps	0	0	0
CAD CORRA OIS	8,475	5,584	8,879
MXN TIE Fixed-to-Floating Swaps	3	14	5
MXN F-TIE OIS	7,246	8,051	15,206

Table 3 below presents estimates of the percentage of notional cleared for CAD CORRA and MXN F-TIE OIS, based on notional transacted by month

during the period beginning January 1, 2026 and ending March 31, 2026. The data in Table 3 illustrates that, with respect to both CAD CORRA and MXN

F-TIE OIS, a majority of the notional traded month-to-month is already being cleared voluntarily.

TABLE 3—ESTIMATED PERCENTAGE OF NOTIONAL CLEARED

[Based on notional transacted by month] ¹⁴⁴

OIS	Percentage notional cleared—January 2026 (%)	Percentage notional cleared—February 2026 (%)	Percentage notional cleared—March 2026 (%)
CAD CORRA	99	96	98
MXN F-TIE	87	90	90

Table 4 below presents a breakdown of notional transacted and trade count for the period beginning March 1, 2026 and ending March 31, 2026, by tenor, for cleared CAD CORRA and MXN F-TIE OIS. With respect to CAD CORRA and MXN F-TIE OIS, Table 4 illustrates that these OIS are being cleared across

a wide range of maturities, with most clearing activity by notional and trade count occurring in CAD CORRA and MXN F-TIE OIS dated 15 years or shorter. Table 4 illustrates that there is a more limited amount of activity in CAD CORRA and MXN F-TIE OIS dated longer than 15 years, with greater

activity in CAD CORRA OIS dated longer than 15 years than in MXN F-TIE OIS dated longer than 15 years. The Commission anticipates that the allocation of activity across tenors may change as the markets for these swaps evolve.

TABLE 4—ESTIMATED CLEARED NOTIONAL AND TRADE COUNT BY TENOR

[March 2026 transaction data] ¹⁴⁵

OIS	Tenor	Notional cleared (USD billions)	Trade count
CAD CORRA	7 days–3 months	\$922	510
	3–6 months	26	49
	6 months–1 year	118	690
	1–5 years	463	4,772
	5–15 years	103	2,360
	>15 years	12	494
MXN F-TIE	7 days–3 months	205	571
	3–6 months	148	793
	6 months–1 year	332	3,094
	1–5 years	294	8,262
	5–15 years	26	2,475
	>15 years	0	11

In addition to this transaction-level data, Table 5 below presents open swaps data illustrating outstanding

notional in CAD CORRA and MXN F-TIE OIS.

¹⁴³ The data in Table 2 is based on the Commission's weekly swaps report data.

¹⁴⁴ The data in Table 3 is based on the Commission's weekly swaps report data. The estimated percentages of notional cleared in this

table are rounded to the nearest whole percentage. Thus, a clearing rate of 100 percent indicates a clearing rate of 99.5 percent or greater.

¹⁴⁵ The data in Table 4 is based on the Commission's weekly swaps report data. Tenor

length is approximate. In Table 4, a notional figure of \$0 billion USD indicates that the notional transacted during a given period was less than \$1 billion. Additionally, in this table, notional figures are rounded to the nearest whole billion.

TABLE 5—OUTSTANDING NOTIONAL AS OF APRIL 24, 2026¹⁴⁶

OIS	Outstanding notional (USD billions)
CAD CORRA	\$24,824
MXN F-TIIE	7,603

Request for Comment

The Commission requests comment and any relevant market analysis regarding the sufficiency of outstanding notional exposures and trading liquidity in CAD CORRA and MXN F-TIIE OIS, including for the proposed stated termination date ranges, to support a clearing requirement.

The Commission invites commenters to submit additional data from any available data sources. In particular, the Commission invites commenters to provide any additional information or data regarding the expiration of Banco de México's waiver for the trading of certain new MXN TIIE swaps.

b. Pricing Data

The Commission regularly reviews pricing data for the RFR OIS subject to this proposed determination and has found that these OIS are capable of being priced from deep and liquid markets. Commission staff regularly receives and reviews margin model information from DCOs that includes particular procedures that they follow to ensure that market liquidity exists in order to close out a position in a stressed market, including the time required to determine a price.¹⁴⁷ Because of the stability of access to pricing data from these markets, the pricing data for the OIS that are the subject of this proposed determination is generally viewed as being reliable. Based on this information, the Commission has preliminarily determined that there is adequate pricing data to support required clearing

of MXN F-TIIE OIS and additional CAD CORRA OIS.

In addition, based on DCO regulation § 39.5(b) submissions, the Commission preliminarily finds that there exists adequate pricing data to justify a clearing requirement determination, including information regarding transaction volumes and how the DCOs consider pricing information in determining eligibility of a swap for clearing.¹⁴⁸

Request for Comment

The Commission requests comment and any relevant market analysis regarding whether there is adequate pricing data for DCO risk and default management of the products subject to this proposal, including regarding the proposed stated termination date ranges.

The Commission also requests comment regarding whether DCOs offering clearing for CAD CORRA and MXN F-TIIE OIS markets would be able to risk manage these products during stressed market conditions.

2. Factor (II)—Availability of Rule Framework, Capacity, Operational Expertise and Resources, and Credit Support Infrastructure

Section 2(h)(2)(D)(ii)(II) of the CEA requires the Commission to take into account the availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear the proposed classes of swaps on terms that are consistent with the material terms and trading conventions on which they are now traded. Based on their regulation § 39.5(b) submissions, as well as ongoing oversight, the Commission preliminarily finds that each of the registered DCOs has developed rule frameworks, capacity, operational expertise and resources, and credit support infrastructure to clear the interest rate swaps they currently clear, including CAD CORRA and MXN F-TIIE OIS subject to this proposal, on

terms that are consistent with the material terms and trading conventions on which those swaps are being traded.¹⁴⁹ The Commission subjects each of the registered DCOs to ongoing review, risk surveillance, and examination to ensure compliance with the CEA's core principles and Commission regulations, including with respect to the submitted swaps.¹⁵⁰

Each of the registered DCOs has procedures pursuant to which they regularly review their clearing of CAD CORRA and MXN F-TIIE OIS to confirm or adjust margin and other risk management tools. When reviewing each of the registered DCOs' risk management tools, the Commission considers whether the DCO can manage risk during stressed market conditions to be one of the most significant considerations. Each of the registered DCOs has developed detailed risk management practices, including a description of risk factors considered when establishing margin levels.¹⁵¹ The Commission reviews and oversees each

¹⁴⁹ With respect to the DCOs that clear CAD CORRA and MXN F-TIIE OIS, DCO rules governing the DCOs' risk management of other cleared products apply equally with respect to cleared CAD CORRA and MXN F-TIIE OIS.

¹⁵⁰ In order to be registered with the Commission, a DCO must comply with the DCO core principles under section 5b of the CEA and applicable Commission regulations. Once a DCO is registered with the Commission, Commission staff periodically examine each DCO to determine whether the DCO is maintaining compliance with the CEA and Commission regulations. In addition, Commission staff monitors the risks posed to and by DCOs, clearing members, and market participants, and conducts independent stress testing.

¹⁵¹ E.g., historical volatility, intraday volatility, seasonal volatility, liquidity, open interest, market concentration, and potential moves to default. For additional information, each of CME and LCH has published a document outlining its compliance with the Principles for Financial Market Infrastructures published by the Committee on Payments and Market Infrastructures (CPMI; formerly, CPSS) and IOSCO. CPSS-IOSCO Principles for Financial Market Infrastructure (PFMI), Apr. 16, 2012, available at <https://www.bis.org/cpmi/publ/d101.htm>. See CME, CME Clearing: Principles for Financial Market Infrastructures Disclosure, Nov. 1, 2023, available at <https://www.cmegroup.com/clearing/risk-management/files/cme-clearing-principles-for-financial-market-infrastructures-disclosure.pdf>; LCH, CPMI-IOSCO Self-Assessment 2022, available at https://www.lch.com/system/files/media_root/LCH%20LTD%20-%20CPMI%20IOSCO%20Self%20Qualitative%20Assessment%20PFMI%20of%20LCH%20LTD%20Q32022.pdf.

¹⁴⁶ The data in Table 5 represents swaps that have been cleared at CME and LCH and reported to the CFTC under part 39 of the Commission's regulations. The data includes payer/receiver values and as well as outstanding notional associated with swaps generated from conversion processes.

¹⁴⁷ As discussed further below, Commission staff receives and reviews margin model information from the registered DCOs that clear these swaps, including information regarding how those DCOs would ensure that liquidity exists to exit a position in a stressed market. For purposes of the first statutory factor, the Commission considers possible periods of market stress, particularly when assessing whether there is sufficient liquidity and pricing data. Second Determination, 81 FR at 71210 (noting that the Commission considered "the effect a new clearing mandate will have on a DCO's ability to withstand stressed market conditions" as part of its analysis in connection with the Second Determination).

¹⁴⁸ For instance, CME's § 39.5(b) submission addressed both cleared volumes and valuation curve methodologies for CAD CORRA OIS and MXN F-TIIE OIS. LCH's § 39.5(b) submissions related to CAD CORRA OIS how LCH considers pricing information in determining swap eligibility for clearing, and LCH's submission for MXN F-TIIE OIS noted that LCH has several brokers to serve as pricing sources for MXN F-TIIE OIS.

of the registered DCOs' risk management practices and development of margin models. Margin models are further refined by stress testing and daily back testing. The Commission also considers stress testing and back testing when assessing whether each of the registered DCOs can clear swaps safely during stressed market conditions.

The registered DCOs clearing CAD CORRA and MXN F-TIE OIS design and conduct stress tests, and Commission staff monitors development of these stress tests. Each of the registered DCOs also conducts reverse stress tests to ensure that their default funds are sized appropriately and to ascertain whether any changes to their financial resources or margin models are necessary.¹⁵² Commission staff monitors markets in real-time and performs stress tests against the DCOs' margin models and may recommend changes to a margin model. The registered DCOs conduct back testing daily to ensure that the margin models capture market movements for member portfolios.¹⁵³

Before offering a new product for clearing, each of the DCOs considers stress tests and back testing results in determining whether it has sufficient financial resources to offer new clearing services. The Commission also reviews initial margin models and default resources to ensure that the DCOs can risk manage their portfolio of products offered for clearing. This combination of stress testing and back testing in anticipation of offering new products for clearing provides the registered DCOs with greater certainty that new product offerings will be risk-managed appropriately. The process of stress testing and back testing also gives the DCOs practice incorporating the new product into their models. In addition to the Commission's surveillance and oversight, each of the registered DCOs continues to monitor and test their margin models over time so that they can operate effectively in stressed and non-stressed market environments.

¹⁵² Reverse stress testing uses plausible market movements that could deplete guaranty funds and cause large losses for top clearing members. For example, CME and LCH may use scenarios for stress testing and reverse stress testing that capture, among other things, historical price volatilities, shifts in price determinants and yield curves, multiple defaults over various time horizons, and simultaneous pressures in funding and asset markets.

¹⁵³ Back testing tests margin models to determine whether they are performing as intended, and checks whether margin models produce margin coverage levels that meet the DCO's established standards. Back testing helps CME and LCH determine whether their clearing members satisfy the required margin coverage levels and liquidation timeframe.

Registered DCOs review and validate their margin models regularly.¹⁵⁴

Each registered DCO monitors and manages credit risk exposure by asset class, clearing member, account, or individual customer. DCOs manage credit risk by establishing position and concentration limits based on product type or counterparty. These limits reduce potential market risks so that DCOs are better able to withstand stressed market conditions. Each of the registered DCOs monitors exposure concentrations and may require additional margin deposits for clearing members with weak credit scores, with large or concentrated positions, with positions that are illiquid or exhibit correlation with the member itself, and/or where the member has particularly large exposures under stress scenarios. Registered DCOs also can call for additional margin, on top of collecting initial and variation margin, to meet the current DCO exposure and protect against stressed market conditions.¹⁵⁵

In support of its ability to clear CAD CORRA and MXN F-TIE OIS, CME's regulation § 39.5(b) submissions cite to its rulebook to demonstrate the availability of rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear interest rate swap contracts on terms that are consistent with the material terms and trading conventions on which the contracts are traded. LCH's submissions state that LCH's clearing model allows bilaterally traded interest rate swaps to be cleared on identical terms and that LCH has developed sophisticated operational models, controls, and risk algorithms to ensure that LCH can process trades rapidly, safely, and with an understanding of the risk to clearing members and customers. LCH's submissions provide, among other information, data regarding the portion of the interest rate swap market cleared by LCH, LCH's portfolio compression capacity, and daily clearing volumes.

For all these reasons, the Commission preliminarily has determined that the application of DCO risk management practices to CAD CORRA and MXN F-TIE OIS should ensure that the swaps subject to this proposal can be cleared safely, even during times of market stress. For additional information

¹⁵⁴ For the avoidance of doubt, exempt DCOs are subject to oversight by their home country regulators, along with regulations regarding risk management.

¹⁵⁵ As a general matter, any DCO offering CAD CORRA and MXN F-TIE OIS for clearing, including exempt DCOs, would follow this risk management approach regarding offering these products for clearing.

related to this factor, please see public disclosures made CME and LCH.¹⁵⁶

Request for Comment

The Commission requests comments concerning all aspects of this factor, including whether commenters agree that CME and LCH can satisfy the factor's requirements.

3. Factor (III)—Effect on the Mitigation of Systemic Risk

Section 2(h)(2)(D)(ii)(III) of the CEA requires the Commission to consider the effect of the clearing requirement on the mitigation of systemic risk, taking into account the size of the market for such contract and the resources of the DCO available to clear the contract. As presented in the data and discussion above, the Commission has preliminarily determined that the market for CAD CORRA OIS is significant, and the market for MXN F-TIE OIS is growing as the shift away from MXN TIE swaps progresses. Mitigating counterparty credit risk through clearing likely would reduce systemic risk in the interest rate swap market generally and, while not every individual RFR OIS market has large outstanding notional exposures, these markets are globally important, and continuity of clearing with respect to RFR OIS serves to reduce systemic risk as liquidity shifts from IBOR swaps to RFR OIS.

In its regulation § 39.5(b) submissions, CME explains the benefits of centralized clearing, including freer counterparty credit lines, enhanced risk management, operational efficiencies, and ease of offsetting risk exposures. LCH's submissions note that clearing avoids complex bilateral relationships that lead to systemic risk, and that requiring swaps to be cleared leads to a less disparate marketplace from a systemic risk perspective with respect to that swap.

Centrally clearing MXN F-TIE OIS and additional CAD CORRA OIS through a registered or exempt DCO should reduce systemic risk by providing counterparties with daily mark-to-market valuations upon which to exchange variation margin pursuant to the DCO's risk management framework and requiring posting of initial margin to cover potential future

¹⁵⁶ CME, CME Clearing: Principles for Financial Market Infrastructures Disclosure, Nov. 1, 2023, available at <https://www.cmegroup.com/clearing/risk-management/files/cme-clearing-principles-for-financial-market-infrastructures-disclosure.pdf>; LCH, CPMI-IOSCO PFMI Self-Assessment 2024, available at https://www.lseg.com/content/dam/post-trade/en_us/documents/lch/ccp-disclosures/cpmi-iosco-qualitative-assessment-of-lch-limited.pdf.

exposures in the event of a default. In addition, swaps transacted through a DCO are secured by the DCO's guaranty fund and other available financial resources, which are intended to cover extraordinary losses that would not be covered by initial margin.

Central clearing was developed and designed to handle significant concentration of risk. Each of the DCOs that clears CAD CORRA and MXN F-TIE OIS has a procedure for closing out and/or transferring a defaulting clearing member's positions and collateral.¹⁵⁷ Transferring customer positions to solvent clearing members in the event of a default is critical to reducing systemic risk. DCOs are designed to withstand defaulting positions and to prevent a defaulting clearing member's loss from spreading further and triggering additional defaults. To the extent that updating a clearing requirement with respect to MXN F-TIE OIS and additional CAD CORRA OIS increases the number of clearing members and market participants in the interest rate swap market, then DCOs may find it easier to transfer positions from defaulting clearing members if there is a larger pool of potential clearing members to receive the positions.¹⁵⁸

CME and LCH have experience risk managing interest rate swaps and, based on the DCOs' submissions and the Commission's ongoing supervision, these DCOs should have the necessary financial resources available to clear MXN F-TIE OIS and additional CAD CORRA OIS. Accordingly, the Commission preliminarily finds that these DCOs would be able to manage the risk posed by clearing MXN F-TIE OIS and additional CAD CORRA OIS.

In addition, the central clearing of MXN F-TIE OIS and additional CAD CORRA OIS should serve to mitigate counterparty credit risk, thereby potentially reducing systemic risk. Having considered the likely effect on the mitigation of systemic risk, the Commission is proposing to add MXN F-TIE OIS and additional CAD CORRA OIS to the clearing requirement.

Request for Comment

The Commission requests comments concerning the proposal to add MXN F-TIE OIS and additional CAD CORRA

OIS to the clearing requirement, regarding the possible reduction of systemic risk.

4. Factor (IV)—Effect on Competition

Section 2(h)(2)(D)(ii)(IV) of the CEA requires the Commission to take into account the effect on competition, including appropriate fees and charges applied to clearing. Of particular concern to the Commission is whether this proposed determination would harm competition by creating, enhancing, or entrenching market power in an affected product or service market, or facilitating the exercise of market power.¹⁵⁹ Market power is viewed as the ability to raise prices, including clearing fees and charges, reduce output, diminish innovation, or otherwise harm customers as a result of diminished competitive constraints or incentives.¹⁶⁰

The Commission has identified one putative service market as potentially affected by this proposed clearing requirement determination: a DCO service market encompassing those clearinghouses that currently clear CAD CORRA and MXN F-TIE OIS.¹⁶¹ The Commission recognizes that this proposed clearing requirement potentially could impact competition within the affected market. Of particular importance to whether any such impact is positive or negative, is: (1) whether the demand for these clearing services and swaps is sufficiently elastic that a small but significant price increase above competitive levels would prove unprofitable because users of the interest rate swap products and DCO clearing services would substitute other clearing services coexisting in the same market(s); and (2) the potential for new entry into this market. The availability of substitute clearing services to compete with those encompassed by this proposed determination, and the likelihood of timely, sufficient new

entry in the event prices do increase above competitive levels, each operate independently to constrain anticompetitive behavior.

Any competitive import likely would stem from the fact that the proposed determination and regulations would remove the alternative of not clearing for the CAD CORRA and MXN F-TIE OIS subject to the proposed determination. The proposed determination would not specify which DCO may or may not compete to provide clearing services for CAD CORRA and MXN F-TIE OIS, as well as those not required to be cleared.

Removing the choice to enter a swap without submitting it for clearing under this proposed rulemaking is not determinative of negative competitive impact. Other factors, including the availability of other substitutes within the market or potential for new entry into the market, may constrain market power. The Commission does not foresee that the proposed determination constructs barriers that would deter or impede new entry into a clearing services market,¹⁶² and the Commission anticipates that a determination to modify the clearing requirement for interest rate swaps could foster an environment conducive to new entry. For example, the proposed clearing requirement determination is likely to reinforce, if not encourage, growth in demand for clearing services. Demand growth, in turn, can enhance the sales opportunity, a condition hospitable to new entry.¹⁶³ Moreover, to the extent that there are high rates of voluntary clearing in the CAD CORRA and MXN F-TIE OIS subject to this proposed determination already, a regulatory requirement to clear such swaps would provide additional certainty that those high rates of clearing would remain constant.

Request for Comment

The Commission requests comment on the extent to which: (1) entry barriers currently do or do not exist with respect to a clearing services market for CAD CORRA and MXN F-TIE OIS; (2) the

¹⁵⁹ First Determination, 77 FR at 74313; Second Determination, 81 FR at 71220; Third Determination, 87 FR at 52201.

¹⁶⁰ First Determination, 77 FR at 74313 (discussing market power as described under U.S. Department of Justice guidelines). *See generally* U.S. Department of Justice and the Federal Trade Commission, Horizontal Merger Guidelines (Horizontal Merger Guidelines) at section 1 (Aug. 19, 2010), available at <https://www.justice.gov/sites/default/files/atr/legacy/2010/08/19/hmg-2010.pdf>.

¹⁶¹ First Determination, 77 FR at 74298; Second Determination, 81 FR at 71220; Third Determination, 87 FR at 52201. The DCO service market includes the registered DCOs that currently offer CAD CORRA and MXN F-TIE OIS for clearing. To the extent an exempt DCO decides to offer for clearing the RFR OIS subject to this proposed determination, such exempt DCO would also be part of the DCO service market. No exempt DCOs currently offer CAD CORRA and MXN F-TIE OIS for clearing.

¹⁶² That said, the Commission recognizes that (1) to the extent the clearing services market for the interest rate swaps identified in this proposal, after foreclosing uncleared swaps, would be limited to a concentrated few participants with highly aligned incentives, and (2) the clearing services market is insulated from new competitive entry through barriers (e.g., high sunk capital cost requirements, high switching costs to transition from embedded incumbents, and access restrictions), the proposed determination could have a negative competitive impact by increasing market concentration.

¹⁶³ *See, e.g.*, Horizontal Merger Guidelines, section 9.2 (entry likely if it would be profitable which is in part a function of "the output level the entrant is likely to obtain").

¹⁵⁷ For further discussion of treatment of customer and swap counterparty positions, funds, and property in the event of the insolvency of a DCO or one or more of its clearing members, please see Factor (V)—Legal certainty in the event of insolvency, section IV.C.5 below.

¹⁵⁸ The Commission recognizes that with high rates of voluntary clearing CAD CORRA and MXN F-TIE OIS at this time, the prospect of adding additional clearing members and market participants in these swaps may be limited.

proposed determination may lessen or increase these barriers; and (3) the proposed determination otherwise may encourage, discourage, facilitate, and/or dampen new entry into the market. In addition to what is noted above, the Commission requests comment, and quantifiable data, on whether the required clearing of either of MXN F–TIE OIS or additional CAD CORRA OIS will generate conditions that create, increase, or facilitate an exercise of: (1) clearing services market power in CME, LCH, and/or any other clearing service market participant, including conditions that would dampen competition for clearing services and/or increase the cost of clearing services, and/or (2) market power in any product markets for interest rate swaps, including conditions that would dampen competition for these product markets and/or increase the cost of CAD CORRA and MXN F–TIE OIS. The Commission seeks comment, and quantifiable data, on the likely cost increases associated with clearing, particularly those fees and charges imposed by DCOs, and the effects of such increases on counterparties currently participating in the market.

The Commission also requests comment regarding whether commenters have any concerns regarding access to clearing services in the markets for CAD CORRA or MXN F–TIE OIS.

5. Factor (V)—Legal Certainty in the Event of Insolvency

Section 2(h)(2)(D)(ii)(V) of the CEA requires the Commission to take into account the existence of reasonable legal certainty in the event of the insolvency of the relevant DCO or one or more of its clearing members with regard to the treatment of customer and swap counterparty positions, funds, and property. The Commission is proposing this clearing requirement determination based on its preliminary finding that there is reasonable legal certainty with regard to the treatment of customer and swap counterparty positions, funds, and property in connection with cleared swaps, including CAD CORRA and MXN F–TIE OIS, in the event of the insolvency of the relevant DCO or one or more of the DCO's clearing members.

In the case of a clearing member insolvency at CME, where the clearing member is the subject of a proceeding under the U.S. Bankruptcy Code, subchapter IV of Chapter 7 of the U.S. Bankruptcy Code (11 U.S.C. 761–767) along with parts 22 and 190 of the Commission's regulations would govern

the treatment of customer positions.¹⁶⁴ Pursuant to section 4d(f) of the CEA, 7 U.S.C. 4d(f), a clearing member accepting funds from a customer to margin a cleared swap must be a registered futures commission merchant (FCM). Pursuant to 11 U.S.C. 761–767 and part 190 of the Commission's regulations, the customer's interest rate swap positions, carried by an insolvent FCM, would be deemed “commodity contracts.”¹⁶⁵ As a result, neither a clearing member's bankruptcy nor any order of a bankruptcy court could prevent CME from closing out/liquidating such positions. However, customers of clearing members would have priority over all other claimants with respect to customer funds that had been held by the defaulting clearing member to margin swaps, such as the RFR OIS subject to this proposal.¹⁶⁶ Thus, customer claims would have priority over proprietary claims and general creditor claims. Customer funds would be distributed to swap customers, including interest rate swap customers, in accordance with Commission regulations and section 766(h) of the Bankruptcy Code. Moreover, the Bankruptcy Code and the Commission's rules thereunder (in particular 11 U.S.C. 764(b) and 17 CFR 190.07) permit the transfer of customer positions and collateral to solvent clearing members.

Similarly, 11 U.S.C. 761–767 and part 190 would govern the bankruptcy of CME since the DCO would be the subject of a proceeding under the U.S. Bankruptcy Code, in conjunction with the DCO rules providing for the termination of outstanding contracts and/or return of remaining clearing member and customer property to clearing members.

With regard to LCH, in general, the default of an LCH clearing member would be addressed by LCH's rules, and LCH would be permitted to close out and/or transfer positions of a defaulting clearing member. Further, under applicable law, LCH's rules governing a clearing member default would supersede insolvency laws in the

clearing member's jurisdiction. For an FCM based in the United States and clearing at LCH, the applicable law as a general matter, would be the U.S. Bankruptcy Code and part 190 of the Commission's regulations. According to LCH's regulation § 39.5(b) submissions, the insolvency of LCH itself would be governed by English insolvency law, which protects the enforceability of the default-related provisions of LCH's rulebook, including in respect of compliance with applicable provisions of the U.S. Bankruptcy Code and part 190 of the Commission's regulations. LCH has obtained, and made available to the Commission, legal opinions that support the existence of such legal certainty in relation to the protection of customer and swap counterparty positions, funds, and property in the event of the insolvency of one or more of its clearing members.¹⁶⁷

Request for Comment

The Commission requests comment regarding all aspects of this factor, including whether there is reasonable legal certainty, in the event of an insolvency of CME or LCH, or one or more of any of these DCOs' clearing members, with regard to the treatment of customer and swap counterparty positions, funds, and property.

The Commission requests comment on whether U.S. swap counterparties have concerns about the applicability of any non-U.S. jurisdiction's law to U.S. persons clearing swaps at DCOs located outside of the United States.

V. Proposed Implementation Schedule and Compliance Dates

The Commission phased in compliance with respect to the First Determination according to the schedule contained in regulation § 50.25.¹⁶⁸ Under this schedule, compliance was phased in by the type of market participant entering a swap subject to the First Determination. The phase-in occurred over a 270-day period following publication of the final rule in the **Federal Register**.

The Commission also phased in compliance with respect to the Second Determination according to the schedule contained in regulation § 50.26. However, the Commission decided to adopt one compliance date for all market participant types, because many market participants were already clearing the products subject to the

¹⁶⁴ An FCM or DCO also may be subject to resolution under Title II of the Dodd-Frank Act to the extent it would qualify as a covered financial company (as defined in section 201(a)(8) of the Dodd-Frank Act). Under Title II, different rules would apply to the resolution of an FCM or DCO. Discussion in this section relating to what might occur in the event an FCM or DCO defaults or becomes insolvent describes procedures and powers that exist in the absence of a Title II receivership.

¹⁶⁵ If an FCM is registered as a broker-dealer, certain issues related to its insolvency proceeding would be governed by the Securities Investor Protection Act, as well.

¹⁶⁶ Claims seeking payment for the administration of customer property would share this priority.

¹⁶⁷ Letters of counsel on file with the Commission.

¹⁶⁸ Swap Transaction Compliance and Implementation Schedule: Clearing Requirement Under Section 2(h) of the CEA, 77 FR 44441 (July 30, 2012).

determination and the Commission had already adopted a clearing requirement determination for the interest rate swap class.¹⁶⁹ The Commission decided to tie the compliance date for each product to the first compliance date for a market participant in a non-U.S. jurisdiction.¹⁷⁰

With respect to the Third Determination, the Commission adopted two implementation dates: October 31, 2022, for the requirement to clear OIS referencing USD SOFR and SGD SORA; and September 23, 2022 (30 days after publication of the final rulemaking in the **Federal Register**) for the requirement to clear the other RFR OIS that were the subject of the Third Determination.¹⁷¹ The Commission also adopted two dates for the removal of the requirement to clear certain IBOR swaps: July 1, 2023 with respect to the requirement to clear USD LIBOR and SGD SOR-VWAP swaps (with respect to which the reference indexes would not become fully unavailable until the end of June 2023), and September 23, 2022 for all other IBOR swaps for which the Commission determined to remove the clearing requirement.¹⁷² The Commission also adopted technical amendments to remove from regulation § 50.26 those IBOR swaps for which the Commission determined to remove the clearing requirement.¹⁷³

In arriving at an implementation schedule, the Commission considered, among other factors, that EUR EONIA and non-USD LIBOR rates had become unavailable, DCOs had largely completed IBOR swap conversions, and many market participants were already clearing the vast majority of RFR OIS subject to the rulemaking.¹⁷⁴ The Commission also considered the fact that USD LIBOR and SGD SOR-VWAP would not become entirely unavailable until the end of June 2023 and there remained activity in markets for swaps referencing these benchmarks. The Commission additionally considered input from commenters suggesting that the Commission align its implementation date for required clearing of USD SOFR and SGD SORA OIS with the Bank of England's proposed implementation date for mandatory clearing of USD SOFR OIS under UK law.¹⁷⁵

With respect to its proposal to add a clearing requirement for MXN F-TIE OIS and additional CAD CORRA OIS, the Commission proposes to adopt one compliance date for all market participants and amend regulation § 50.26 to reflect that the compliance date shall be 30 days after publication of the final rule in the **Federal Register**. If the clearing requirement compliance date falls on a Saturday, Sunday, or U.S. federal public holiday, the compliance date will be the next available business day. No compliance date will be set on a day when markets are not open in the United States.

In proposing compliance dates with respect to this proposed clearing requirement determination, the Commission observes that, generally, the disposition of markets with respect to both CAD CORRA and MXN F-TIE OIS is similar to that of markets with respect to the RFR OIS that were the subject of the Third Determination, at the time the Commission proposed that determination. DCOs have undertaken conversions of CAD CDOR and MXN TIE swaps to, respectively, CAD CORRA OIS and MXN F-TIE OIS. Market participants are now clearing CAD CORRA and MXN F-TIE OIS. Additionally, Banco de México updated its clearing requirement for MXN-denominated interest rate swaps to account for the transition from MXN TIE to MXN F-TIE, and the CSA issued amendments to Canada's clearing requirement to, among other changes, address the transition from CAD CDOR to CAD CORRA.

As a technical amendment, because the Commission is proposing to remove CAD CDOR and MXN TIE swaps from regulation § 50.4, it is also proposing to remove those same swaps from regulation § 50.26. The Commission is proposing this change for consistency with regulation § 50.4(a) and the Third Determination, and to eliminate any confusion that might arise if different swap products are included in 50.4 and 50.26. Consistent with the proposed timeline for the removal of the clearing requirement for CAD CDOR and MXN TIE swaps from regulation § 50.4, the Commission proposes to remove these swaps from regulation § 50.26, 30 days after publication of the final rule in the **Federal Register**.

required clearing of USD SOFR OIS. Bank of England, "Derivatives clearing obligation—modifications to reflect USD interest rate benchmark reform: Amendment to BTS 2015/2205," Aug. 24, 2022, available at <https://www.bankofengland.co.uk/paper/2022/derivatives-clearing-obligation-modifications-to-reflect-usd-interest-rate-benchmark-reform>.

Request for Comment

The Commission requests comment on whether setting a compliance date 30 days after publication of the final rule in the **Federal Register** provides market participants with sufficient notice and opportunity to comply with this proposed determination.

VI. Cost Benefit Considerations

A. Statutory and Regulatory Background

Proposed revised regulation § 50.4(a) identifies certain swaps that would be required to be cleared under section 2(h)(1)(A) of the CEA in addition to those currently required to be cleared by existing regulations §§ 50.2 and 50.4(a), and removes certain other swaps currently required to be cleared from the clearing requirement. The proposed clearing requirement amendments are designed to update the Commission's regulations to address the transition from CAD CDOR to CAD CORRA as a benchmark reference rate for CAD-denominated interest rate swaps, and the transition from MXN TIE to MXN F-TIE as a benchmark reference rate for MXN-denominated interest rate swaps. Currently, most CAD CORRA and MXN F-TIE OIS are being cleared voluntarily. Accordingly, the proposed regulation largely serves to ensure that the swap market under the Commission's jurisdiction continues to clear the CAD CORRA and MXN F-TIE OIS subject to this proposal. The continued central clearing of these OIS may limit the counterparty risk associated with such swaps, thereby mitigating the possibility of such risks having a systemic impact, which might cause or exacerbate instability in the financial system. In addition, required clearing of MXN F-TIE OIS and additional CAD CORRA OIS would reflect the global effort to rely on benchmark rates that are less susceptible to manipulation.

The Commission preliminarily finds that this proposal is consistent with the principle that the use of central clearing can reduce systemic risk, which was one of the fundamental premises of the Dodd-Frank Act and the 2009 commitments by the G20 nations. The following discussion is a consideration of the costs and benefits of the Commission's proposed actions pursuant to the regulatory requirements discussed above.

B. Overview of Swap Clearing

1. How Clearing Reduces Risk

When a bilateral swap is cleared, the DCO becomes the counterparty to each original swap counterparty. This

¹⁶⁹ Second Determination, 81 FR at 71227.

¹⁷⁰ *Id.* at 71227–71228.

¹⁷¹ Third Determination, 87 FR at 52204–52205.

¹⁷² *Id.* at 52205–52206.

¹⁷³ *Id.* at 52206. The Commission also adopted technical revisions related to the formatting of the table of compliance dates for required clearing of credit default swaps in regulation § 50.26. *Id.*

¹⁷⁴ *Id.* at 52204.

¹⁷⁵ The Bank of England adopted as proposed the implementation date of October 31, 2022 for

arrangement mitigates counterparty risk to the extent that the DCO may be a more creditworthy counterparty than the original swap counterparties. Central clearing reduces the interconnectedness of market participants' swap positions because the DCO, an independent third party that takes no market risk, guarantees the collateralization of swap counterparties' exposures. DCOs have demonstrated resilience in the face of past market stress.¹⁷⁶

The Commission anticipates that DCOs will continue to be some of the most creditworthy swap counterparties because, among other things, they are able to monitor and manage counterparty risk effectively through (1) collection of initial and variation margin associated with outstanding swap positions; (2) marking positions to market regularly, usually multiple times per day, and issuing margin calls when the margin in a customer's account has dropped below predetermined levels that the DCO sets; (3) adjusting the amount of margin that is required to be held against swap positions in light of changing market circumstances, such as increased volatility in the underlying product; and (4) closing out swap positions if margin calls are not met within a specified period of time.

2. The Clearing Requirement and Role of the Commission

With the passage of the Dodd-Frank Act, Congress gave the Commission the responsibility for determining which swaps would be required to be cleared pursuant to section 2(h)(1)(A) of the CEA. Since 2012, there is ample evidence that the interest rate swap market has been moving toward increased use of central clearing in response to both market incentives and clearing requirements.¹⁷⁷ Now with the transition from CAD CDOR to CAD CORRA and from MXN TIE to MXN F-TIE effectively complete, and with most CAD CORRA and MXN F-TIE OIS already being voluntarily cleared, as discussed further below, it is possible that the effect of this proposal will be limited to ensuring that market

participants continue to clear the CAD CORRA and MXN F-TIE OIS subject to the proposal.¹⁷⁸ The Commission has preliminarily determined that the costs and benefits related to the required clearing of the CAD CORRA and MXN F-TIE OIS to be added under this proposal are attributable, in part to (1) Congress's stated goal of reducing systemic risk by, among other things, requiring clearing of swaps; and (2) the Commission's exercise of its discretion in selecting swaps or classes of swaps to achieve those ends.

C. Consideration of the Costs and Benefits of the Commission's Action

1. CEA Section 15(a)

Section 15(a) of the CEA requires the Commission to "consider the costs and benefits" of its actions before promulgating a regulation under the CEA or issuing certain orders.¹⁷⁹ Section 15(a) further specifies that the costs and benefits shall be evaluated in light of five broad areas of market and public concern: (1) protection of market participants and the public; (2) efficiency, competitiveness and financial integrity; (3) price discovery; (4) sound risk management practices; and (5) other public interest considerations (collectively referred to herein as the Section 15(a) Factors). Accordingly, the Commission considers the costs and benefits associated with the proposed determination in light of the Section 15(a) Factors. In the sections that follow, the Commission considers: (1) The costs and benefits of required clearing for the CAD CORRA and MXN F-TIE OIS to be added under this proposed rule as well as the costs and benefits of removing certain CAD CDOR and MXN TIE swaps from required clearing; (2) the alternatives contemplated by the Commission and their costs and benefits; and (3) the impact of required clearing for the proposed swaps on the Section 15(a) Factors.

The Commission is considering these costs and benefits against a baseline of the current set of interest rates swaps subject to the clearing requirement adopted under regulation § 50.4. This proposed determination would add certain CAD CORRA and MXN F-TIE OIS to the clearing requirement, and it

would remove certain swaps referencing CAD CDOR and MXN TIE from the clearing requirement. As seen in Table 3 above, most transactions in interest rate swaps that would be subject to the proposed clearing requirement are cleared voluntarily, so that the percentage of such swaps that would be cleared following implementation of the rule is unlikely to increase materially. The Commission's analysis below compares amendments in this proposed determination to the clearing requirement in effect. The costs discussed recognize the current industry practice of high levels of CAD CORRA and MXN F-TIE OIS clearing.

The swap market functions internationally with (i) transactions that involve U.S. firms and DCOs occurring across different international jurisdictions; (ii) some entities organized outside of the United States that are, or may become, Commission registrants or registered entities; and (iii) some entities that typically operate both within and outside the United States and that follow substantially similar business practices wherever located. Where the Commission does not specifically refer to matters of location, this discussion of costs and benefits refers to the effects of the proposed regulations on all relevant swaps activity, whether based on their actual occurrence in the United States or on their connection with activities in, or effect on, commerce of the United States, pursuant to section 2(i) of the CEA.¹⁸⁰

2. Costs and Benefits of Required Clearing Under the Proposed Determination.

Market participants may incur certain costs to clear the CAD CORRA and MXN F-TIE OIS to be added to the clearing requirement in the proposed rule. For example, to the extent that there are market participants entering into CAD CORRA and MXN F-TIE OIS that are not already clearing interest rate swaps voluntarily or pursuant to the Commission's prior clearing requirement determinations, such market participants may incur certain startup and ongoing costs related to developing technology and infrastructure, updating or creating new legal agreements, service provider fees,

¹⁷⁶ Umar Faruqi, et al., "Clearing risks in OTC derivatives markets: the CCP-bank nexus," at 75 (2018), available at https://www.bis.org/publ/qtrpdf/r_qt1812h.pdf (Clearing risks in OTC derivatives markets: the CCP-bank nexus) (noting that central counterparties "proved resilient during the [2008 financial] crisis, continuing to clear contracts even when bilateral markets dried up").

¹⁷⁷ Third Determination, 87 FR at 52206 & n.76; OTC derivatives statistics at end-June 2024, at 8 & Graph A.8 (showing that, as of the end of June 2024, nearly 80% (as a percentage of notional amounts outstanding against all counterparties) of interest rate swaps are cleared).

¹⁷⁸ It is possible that some market participants would respond to the requirement that the CAD CDOR and MXN F-TIE OIS subject to this proposal be cleared by decreasing their use of such swaps, particularly if the cost of clearing increases in the future relative to the cost of not clearing. Thus, there is some uncertainty regarding how the proposed rule will affect the quantity of swaps that are cleared.

¹⁷⁹ 7 U.S.C. 19(a).

¹⁸⁰ Pursuant to section 2(i) of the CEA, activities outside of the United States are not subject to the swap provisions of the CEA, including any rules prescribed or regulations promulgated thereunder, unless those activities either "have a direct and significant connection with activities in, or effect on, commerce of the United States"; or contravene any rule or regulation established to prevent evasion of a CEA provision enacted under the Dodd-Frank Act. 7 U.S.C. 2(i).

and collateralization of the cleared positions.¹⁸¹ The costs of collateralization, on the other hand, are likely to vary depending on whether an entity is subject to the margin requirements for uncleared swaps¹⁸² and capital requirements, and the differential between the cost of capital for the assets they use as collateral and the returns realized on those assets.

As noted in Table 3 above, most CAD CORRA and MXN F–TIE OIS subject to this proposed determination are already cleared voluntarily, and market participants currently clearing these OIS already realize the benefits of clearing. Adoption of the proposed determination would ensure that the percentage of CAD CORRA and MXN F–TIE OIS that are cleared would remain high in the future and that these benefits would continue to be realized. These benefits include reduced and standardized counterparty credit risk, increased transparency, and easier swap market access for market participants that are required to clear. Together, these benefits contribute significantly to the stability and efficiency of the financial system, but they are difficult to quantify with any degree of precision.

While there may be a benefit to removing certain swaps from required clearing, such as fewer costs to market participants that no longer have to submit such swaps to clearinghouses, in this instance, the reason the Commission is removing certain swaps referencing CAD CDOR and MXN TIE from the clearing requirement is because they are (or will be, at the time they are proposed to be removed) no longer offered for clearing. As discussed above, CAD CDOR is no longer available for use in swaps by market participants, and MXN TIE is generally unavailable as well. Therefore, the Commission preliminarily finds that removing from the clearing requirement interest rate swaps referencing CAD CDOR and MXN TIE should not impose additional costs on market participants and would result in the benefit of market and regulatory certainty. There may be no meaningful benefit to market participants from this removal because market participants cannot clear CAD CDOR swaps and are

now unable to clear MXN TIE swaps following the expiration of Banco de México's waiver period. However, there may be benefits associated with the effort to reach broad consensus around the transition away from CAD CDOR and MXN TIE, as has occurred with respect to LIBOR; specifically, providing certainty and finality with respect to the transition to more robust and transaction-based benchmark interest rates by amending the Commission's interest rate swap clearing requirement to reflect current market realities.¹⁸³

¹⁸³ See, e.g., CFTC, Opening Statement of Commissioner Brian D. Quintenz before the CFTC Market Risk Advisory Committee Meeting, July 12, 2018, available at <https://www.cftc.gov/PressRoom/SpeechesTestimony/quintenzstatement071218> (“[G]iven the decline in activity in the unsecured bank funding market, and the absence of an FCA mandate for LIBOR submissions post-2021, firms should seriously consider the long-term sustainability of solely relying on LIBOR. . . . [I]f participation continues to decline, questions may arise as to whether the rate continues to accurately reflect market conditions. The development of alternative RFRs that are based on actual transactional data from robust, underlying markets will provide a transparent, viable alternative to LIBOR for market participants.”); CFTC, Concurring Statement of Commissioner Caroline D. Pham Regarding LIBOR Transition Clearing Requirement Determination for Certain Interest Rate Swaps, Aug. 12, 2022, available at <https://www.cftc.gov/PressRoom/SpeechesTestimony/phamstatement081222> (“[The Third Determination] updates [the] set of interest rate swaps required to be cleared in light of the global transition from reliance on certain interbank offered rates . . . to alternative reference rates This rulemaking is an essential part of that transition.”); CFTC, Statement of Commissioner Christy Goldsmith Romero Regarding the Clearing Requirement for Swaps Referencing Rates Less Susceptible to Manipulation Than LIBOR, Aug. 12, 2022, available at <https://www.cftc.gov/PressRoom/SpeechesTestimony/romerostatement081222> (“[The Third Determination] . . . amends the CFTC’s swap clearing requirement to account for the continuing shift in liquidity to . . . more reliable rates. . . . We aim to bolster and accelerate this shift and ensure the risk-mitigating benefits of clearing continue to be realized in the evolving interest-rate swaps markets.”); CFTC, Statement of Commissioner Kristin N. Johnson Regarding the Final Rule to Modify Interest Rate Swap Clearing Requirements for the Transition from LIBOR and Other IBORs to Alternative Reference Rates, Aug. 12, 2022, available at <https://www.cftc.gov/PressRoom/SpeechesTestimony/johnsonstatement081222b> (“[The Third Determination] represents the culmination of years of work by the Commission as well as its counterparts across the globe to ensure a more reliable, more transparent set of interest rate benchmarks. In collaboration with our international colleagues’ efforts in jurisdictions around the world, the Commission’s efforts to adopt and implement this final rule serves to preserve the stability and integrity of our markets and to reduce the systemic risks that precipitated the financial crisis.”); CFTC, Statement of Chairman Heath P. Tarbert Regarding the Transition Away from IBORs, Nov. 24, 2020, available at <https://www.cftc.gov/PressRoom/SpeechesTestimony/tarbertstatement112420> (discussing the importance of a timely and orderly transition away from LIBOR, including steps taken by the Commission to support the transition); CFTC, Statement of CFTC Chairman J. Christopher Giancarlo Regarding the Financial Stability Board Industry Roundtable on Reforming

Any potential costs associated with the proposed determination should be viewed in light of the fact that each new swap that would be required to be cleared would effectively stand in the place of a swap that is already subject to required clearing and that a significant majority of these swaps are cleared voluntarily. Liquidity tied to CAD CDOR has shifted to CAD CORRA and liquidity tied to MXN TIE has largely shifted into MXN F–TIE.¹⁸⁴ That shift has occurred with respect to CAD-denominated interest rate swaps and continues to occur with respect to MXN-denominated interest rate swaps, as a result of numerous market events, including DCO conversions, the cessation of CAD CDOR and prohibition on use with respect to MXN TIE, the operation of contractual fallbacks, and new use of RFRs in parallel with declining liquidity in IBOR swaps. The CAD CORRA and MXN F–TIE OIS subject to this proposal are already widely cleared so that the costs associated with clearing these swaps are already being incurred.¹⁸⁵ Accordingly, the Commission anticipates that the additional cost of compliance for market participants would be *de minimis*.

Request for Comment

The Commission requests comment concerning the costs of clearing described above for various market participants.

a. Technology, Infrastructure, and Legal Costs

Market participants already clearing swaps may incur costs in making necessary changes to technology systems to support the clearing required by the proposed rule if they are not yet clearing CAD CORRA or MXN F–TIE OIS. To the extent that there are market participants that are not currently clearing CAD CORRA or MXN F–TIE OIS, such market participants may incur costs if they need to implement technology to connect to FCMs that will clear their transactions. The costs are likely to depend on the specific business needs of each entity and

Major Interest Rate Benchmarks, Washington, DC, Apr. 10, 2019, available at <https://www.cftc.gov/PressRoom/SpeechesTestimony/giancarlostatement041019> (“At the end of the day, markets exist to serve the need of end users. . . . These users are exposed to the greatest risk if we do not fix this market vulnerability—reliance on an index which has clearly outlived its economic relevance as a benchmark.”); Gov. Jerome H. Powell, Reforming U.S. Dollar LIBOR: The Path Forward, Sept. 4, 2014, available at <https://www.federalreserve.gov/newsevents/speech/powell20140904a.htm> (discussing the importance of the development and adoption of alternative reference rates to LIBOR).

¹⁸⁴ See Tables 1–2 above.

¹⁸⁵ See section IV.C.1 above.

¹⁸¹ These per-entity costs would vary widely depending on the needs of such market participants. Costs likely would be lower for market participants that already clear interest rate swaps covered by the Commission’s prior clearing requirement determinations. The opposite would be true for market participants that start clearing because of the proposed determination. However, given the high rates of voluntary clearing, there are likely to be few, if any, new participants.

¹⁸² The Commission’s margin requirements for uncleared swaps are codified in subpart E of part 23 of the Commission’s regulations, 17 CFR 23.

therefore would vary widely among market participants. As a general matter, because most market participants already will have undertaken the steps necessary to move away from the use of CAD CDOR and/or MXN TIE swaps in the cleared interest rate swap market, the burden associated with required clearing of CAD CORRA and MXN F-TIE OIS should be minimal.

Market participants that do not currently have established clearing relationships with an FCM will have to establish and maintain such a relationship to clear swaps that are required to be cleared. Market participants that transact a limited number of swaps per year likely will be required to pay monthly or annual fees that FCMs charge to maintain both the relationship and outstanding swap positions belonging to the customer. In addition, the FCM is likely to pass along fees charged by the DCO for establishing and maintaining open positions. It is likely that most market participants already will have had experience complying with prior clearing requirements and that the incremental burdens associated with clearing MXN F-TIE OIS or additional CAD CORRA OIS should be minimal, especially given that these products are intended to replace products that were already widely cleared. Given the high rates of clearing for CAD CORRA and MXN F-TIE OIS, the Commission anticipates that few, if any, market participants will need to establish a new clearing relationship with an FCM to clear the CAD CORRA and MXN F-TIE OIS subject to this proposed determination. However, the Commission requests comment concerning how many market participants, if any, may have to establish new relationships with FCMs, or significantly upgrade those relationships based on the inclusion of these new products in the clearing requirement.

The Commission estimates the range of costs for smaller financial institutions to review and negotiate legal agreements to establish a new business relationship with an FCM to be between \$3,433 and \$34,325. In proposing and adopting the First Determination, the Commission noted that it had been estimated that it would cost smaller financial institutions between \$2,500 and \$25,000 to review and negotiate legal agreements to establish a new business relationship with an FCM.¹⁸⁶ The Commission based those estimates on comment letters from

Chatham Financial and Webster Bank, submitted to the Commission in 2012 in response to the Commission's request for comment concerning the cost benefit analysis regarding a potential clearing exception for certain small financial institutions under the end-user exception.¹⁸⁷ The Commission also discussed these estimates in proposing and adopting the Second Determination.¹⁸⁸ With respect to the First Determination and the Second Determination, the Commission sought but did not receive new information from commenters regarding the costs of establishing a clearing relationship.¹⁸⁹ With respect to this proposed determination, the Commission has adjusted its 2012 estimates for inflation.¹⁹⁰

In adopting the First Determination, the Commission noted that commenters did not provide data that would enable the Commission to determine to what degree its estimates would apply to larger entities establishing a relationship with an FCM or to determine costs associated with entities that already have established relationships with one or more FCMs but need to revise those agreements.¹⁹¹ The Commission further noted that, even accepting the data provided for smaller financial institutions, the Commission lacked sufficient data to calculate a reasonable estimate of the potential costs that are likely to depend significantly on the specific business needs of each entity and therefore are expected to vary widely among market participants.¹⁹² Additionally, with respect to the inflation-adjusted estimates above, the Commission notes that increases in the costs to establish a new business relationship with an FCM may not track inflation directly. Because the

¹⁸⁷ The comment letter from Chatham Financial is available at <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58077> and the comment letter from Webster Bank is available at <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58076>.

¹⁸⁸ Clearing Requirement Determination Under Section 2(h) of the CEA for Interest Rate Swaps, 81 FR 39506, 39529 n.118 (June 16, 2016) (Second Determination Proposal); Second Determination, 81 FR 71232 n.184.

¹⁸⁹ First Determination, 77 FR at 74324; Second Determination, 81 FR 71232 n.184.

¹⁹⁰ These estimates are derived by multiplying the 2012 estimates by 1.373 to account for the 37.3% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers between May 2012 (when Chatham Financial and Webster Bank submitted the referenced comment letters) and January 2025 (226.600 to 311.172) and rounding to the nearest whole number. BLS, CPI for Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average, All Items—CWUR0000SA0, available at <https://www.bls.gov/data/#prices>.

¹⁹¹ First Determination, 77 FR at 74324.

¹⁹² *Id.*

Commission does not have current information regarding the costs associated with entities that need to establish relationships with one or more FCMs and the costs associated with entities that already have relationships with one or more FCMs but need to revise their agreements, the Commission seeks comment, including quantitative information, regarding such costs.

Request for Comment

The Commission requests comment, including any quantifiable data and analysis, on the changes that market participants will have to make to their technological and legal infrastructures to clear the CAD CORRA or MXN F-TIE OIS that are subject to the proposed determination.

b. Ongoing Costs Related to FCMs and Other Service Providers

In addition to costs associated with technological and legal infrastructures, market participants transacting in the CAD CORRA or MXN F-TIE OIS subject to the proposed determination will face ongoing costs associated with fees charged by FCMs. DCOs typically charge FCMs an initial transaction fee for each cleared interest rate swap its customers enter, as well as an annual maintenance fee for each open position. Customers that occasionally transact in swaps are typically required to pay a monthly or annual fee to each FCM. As noted, most CAD CORRA and MXN F-TIE OIS transactions are currently cleared, so that these costs are largely being incurred by market participants already.¹⁹³

The Commission estimates the range of costs for monthly or annual fees paid to each FCM by FCM customers that transact in swaps only occasionally to be between \$102,975 and \$171,625. In proposing and adopting the First Determination, the Commission noted that it had been estimated that FCM customers that transact in swaps only occasionally are typically required to pay a monthly or annual fee to each FCM that ranges from \$75,000 to \$125,000 per year.¹⁹⁴ These estimates are based on the comment letters, discussed above, from Chatham Financial and Webster Bank.¹⁹⁵ The

¹⁹³ In monitoring data related to the transition from MXN TIE to MXN F-TIE, the Commission observed that the significant majority of MXN TIE fixed-to-floating swaps were cleared.

¹⁹⁴ First Determination Proposal, 77 FR at 47212; First Determination, 77 FR at 74325.

¹⁹⁵ The comment letter from Chatham Financial is available at <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58077> and the comment letter from Webster Bank is

¹⁸⁶ Clearing Requirement Determination Under Section 2(h) of the CEA, 77 FR 47170, 47211 (Aug. 7, 2012) (First Determination Proposal); First Determination, 77 FR at 74324.

Commission also discussed these estimates in proposing and adopting the Second Determination.¹⁹⁶ With respect to the First Determination and the Second Determination, the Commission sought but did not receive new information from commenters regarding these clearing fees.¹⁹⁷ With respect to this proposed determination, the Commission has adjusted its 2012 estimates for inflation.¹⁹⁸

In adopting the First Determination, the Commission noted that while it expected that some market participants that previously did not use clearing would be subject to the requirements of the First Determination, it is difficult to predict precisely how many FCM customers would be subject to such fees based on the clearing requirement adopted in the First Determination.¹⁹⁹ Furthermore, as noted above, with respect to the inflation-adjusted estimates included in this proposed determination, the Commission notes that increases in the costs related to occasional swap transactions may not track inflation directly. Because the Commission does not have current information regarding fees paid to FCMs in relation to occasional swap transactions, commenters are requested to provide the necessary data where available.

As discussed above, it is difficult to predict precisely how the proposed requirement to clear certain CAD CORRA and MXN F-TIE OIS will promote the use of swap clearing, as compared to the use of clearing that would occur in the absence of the requirement. However, as presented in the data above, the use of voluntary clearing appears to be sufficiently high that the percentage of swaps that would be cleared following adoption of the rule is unlikely to increase materially. Some CAD CORRA and MXN F-TIE OIS will continue to be uncleared pursuant to the exceptions and exemptions set out in subpart C of part 50 of the Commission's regulations. Any increase

in the use of clearing due to the proposed determination would lead in most cases to an incremental increase in the transaction costs noted above. However, because most market participants already will have undertaken the steps necessary to accommodate the clearing of swaps subject to required clearing, the Commission anticipates that the burden associated with clearing the CAD CORRA and MXN F-TIE OIS subject to this proposed determination should be minimal.

Request for Comment

The Commission requests comment regarding the fee structures of FCMs in general, and in particular as they relate to the clearing of the CAD CORRA and MXN F-TIE OIS covered by the proposed rule.

c. Costs Related to Collateralization of Cleared Swap Positions

Market participants that enter the CAD CORRA and MXN F-TIE OIS subject to the proposed rule will be required to post initial margin at a DCO. The CAD CORRA and MXN F-TIE OIS subject to this proposal are already being widely cleared on a voluntary basis, and so any additional amounts of initial margin that market participants would be required to post to a DCO as a result of the proposed determination likely would be relatively small. In reaching this preliminary finding, the Commission considered situations where (1) uncleared CAD CORRA or MXN F-TIE OIS may be otherwise collateralized;²⁰⁰ (2) uncleared CAD CORRA or MXN F-TIE OIS between certain swap dealers and "financial end-users" are, or will be, subject to initial and variation margin requirements under the Commission's margin regulations for uncleared swaps;²⁰¹ (3) the pricing of certain uncleared swaps may account for implicit contingent liabilities and counterparty risk; (4) not all CAD CORRA and MXN F-TIE OIS will necessarily be eligible for clearing if they have terms that prevent them from being cleared;²⁰² and (5) certain entities may elect an exception or exemption from the clearing requirement.²⁰³

²⁰⁰ E.g., under the terms of a credit support annex.

²⁰¹ Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 81 FR 636 (Jan. 6, 2016); Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants, 85 FR 71246 (Nov. 9, 2020).

²⁰² For example, swaps that do not meet the specifications set forth in proposed revised regulation § 50.4(a) may not be eligible for clearing.

²⁰³ See subpart C of part 50 (Exceptions and Exemptions to the Clearing Requirement).

Market participants that are not clearing voluntarily and not otherwise required to post margin or collateral may incur costs related to funding collateral once they are required to clear. The greater the funding cost relative to the rate of return on the asset used as initial margin, the greater the cost of procuring collateral.²⁰⁴ Quantifying this cost with any precision is challenging because different entities may have different funding costs and may choose assets with different rates of return.

Request for Comment

The Commission requests comments on all aspects of quantifying the cost of funding initial margin that would be required to be posted to a DCO pursuant to this proposed rule. In particular, the Commission requests comment on funding costs that market participants may face due to interest rates on bonds issued by a sovereign nation that also issues the currency in which the CAD CORRA and MXN F-TIE OIS subject to this proposed determination is denominated. CME and LCH accept as initial margin bonds issued by several sovereigns, and market participants may post such bonds as initial margin if the Commission adopts this proposed rule.

Further, the new initial margin amounts that would be required to be posted to DCOs for cleared CAD CORRA and MXN F-TIE OIS will, for entities required to post initial margin under the uncleared swap margin regulations, replace the initial margin amount that has been, or will be, required to be posted to their swap counterparties, pursuant to the uncleared swap margin regulations. The uncleared swap margin regulations require swap dealers and certain "financial end-users" to post and collect initial and variation margin for uncleared swaps, subject to various conditions and limitations.²⁰⁵

The Commission anticipates that the initial margin that would be required to be posted for a cleared swap to be added under this proposed determination would typically be less than the initial margin that would be required to be

²⁰⁴ Certain entities, such as pension funds and asset managers, may use as initial margin assets that they already own. In such cases, market participants would not incur funding costs to post initial margin.

²⁰⁵ See generally subpart E of part 23 of the Commission's regulations. Swap clearing requirements under part 50 of the Commission's regulations apply to a broader scope of market participants than the uncleared swap margin regulations. For example, under subpart E of part 23, a "financial end-user" that does not have "material swaps exposure" (as defined by regulation § 23.151) is not required to post initial margin, but such an entity may be subject to the swap clearing requirement. 17 CFR 23.151.

available at <http://comments.cftc.gov/PublicComments/ViewComment.aspx?id=58076>.

¹⁹⁶ Second Determination Proposal, 81 FR at 39529 n.119; Second Determination, 81 FR 71233 n.189.

¹⁹⁷ First Determination, 77 FR at 74325; Second Determination, 81 FR 71233 n.189.

¹⁹⁸ These estimates are derived by multiplying the 2012 estimates by 1.373 to account for the 37.3% change in the Consumer Price Index for Urban Wage Earners and Clerical Workers between May 2012 (when Chatham Financial and Webster Bank submitted the referenced comment letters) and January 2025 (226.600 to 311.172) and rounding to the nearest whole number. BLS, CPI for Urban Wage Earners and Clerical Workers (CPI-UW), U.S. City Average, All Items—CWUR0000SA0, available at <https://www.bls.gov/data/#prices>.

¹⁹⁹ First Determination, 77 FR at 74325.

posted for uncleared swaps pursuant to the uncleared swap margin regulations. Whereas the initial margin requirement for cleared swaps must be established according to a margin period of risk of at least five days,²⁰⁶ under the uncleared swap margin regulations, the minimum initial margin requirement is set with a margin period of risk of 10 days or, under certain circumstances, less or no initial margin for inter-affiliate transactions.²⁰⁷ Phase-in of the initial margin requirements for uncleared swaps began on September 1, 2016, and was fully implemented by September 1, 2022. The requirement for entities subject to uncleared swap margin regulations to exchange variation margin was fully implemented on March 1, 2017.

With respect to swaps that would be added to the clearing requirement under this proposed determination, but not subject to the uncleared swap margin regulations, the Commission preliminarily believes that the new initial margin amounts to be deposited would displace costs that are currently embedded in the prices and fees for transacting the swaps on an uncleared and uncollateralized basis, rather than add a new cost. Entering a swap is costly for any market participant because of the default risk posed by its counterparty. When a market participant faces a DCO, the DCO accounts for that counterparty credit risk by requiring the market participant to post collateral, and the cost of capital for the collateral is part of the cost that is necessary to maintain the swap position. When a market participant faces a swap dealer or other counterparty in an uncleared swap, however, the uncleared swap contains an implicit line of credit upon which the market participant effectively draws when its swap position is out of the money. Typically, counterparties charge for this implicit line of credit in the spread they offer on uncollateralized, uncleared swaps.²⁰⁸ Additionally, because the counterparty credit risk that the implicit line of credit creates is the same as the counterparty risk that

would result from an explicit line of credit provided to the same market participant, to a first order approximation, the charge for each should be the same as well.²⁰⁹ This means that the cost of capital for additional collateral posted as a consequence of requiring uncollateralized swaps to be cleared takes a cost that is implicit in an uncleared, uncollateralized swap and makes it explicit.²¹⁰ This observation applies to capital costs associated with both initial margin and variation margin.

The proposed rule also may result in added operational costs for those few market participants that are not already clearing these swaps voluntarily. With uncleared swaps, counterparties may agree not to collect variation margin until certain thresholds of material swaps exposure are reached, thus reducing or eliminating the need to exchange variation margin as exposure changes.²¹¹ However, DCOs collect and pay variation margin daily, and sometimes more frequently. Increased mandatory clearing therefore may increase certain operational costs associated with paying variation margin to the DCO.²¹²

The proposed rule may result in slight additional costs for clearing members in the form of guaranty fund contributions that are held by the DCO. However, it also could decrease guaranty fund contributions for certain clearing members. Once the proposed determination takes effect, there may be market participants that currently transact swaps bilaterally that would have to either become clearing members of a DCO or submit such swaps for clearing through an existing clearing member. A market participant that becomes a direct clearing member must make a guaranty fund contribution, while a market participant that clears its

swaps through a clearing member may pay higher fees if the clearing member passes the costs of the guaranty fund contribution to its customers. While the addition of new clearing members and new customers for existing clearing members may result in an increase in guaranty fund requirements, if (1) new clearing members are not among the two clearing members used to calculate the guaranty fund and (2) any new customers trading through a clearing member do not increase the size of uncollateralized risks at either of the two clearing members used to calculate the guaranty fund, all else held constant, existing clearing members may experience a decrease in their guaranty fund requirement.

Request for Comment

The Commission requests comment regarding the total amount of additional collateral that would be posted due to required clearing of the CAD CORRA and MXN F-TIE OIS covered by this proposed determination. The Commission also invites comment regarding (1) the cost of capital and returns on capital for that collateral, (2) the effects of required clearing on the capital requirements for financial institutions, and (3) the costs and benefits associated with operational differences related to the collateralization of uncleared versus cleared swaps. Please supply quantifiable data and analysis regarding these subjects, if possible.

3. Benefits of Clearing

As discussed above, there are significant benefits to central clearing of swaps. These benefits include reducing and standardizing counterparty credit risk, improving market transparency, and promoting access to clearing services. Specifically, there are important risk mitigation benefits of clearing the RFR OIS that replace IBOR swaps (which in the case of CAD CDOR and MXN TIE fixed-to-floating swaps would be removed from the clearing requirement under the proposal). In addition, requiring the central clearing of RFR OIS would promote regulatory continuity and cross-border harmonization of clearing requirements.

While the requirement to margin uncleared swaps should mitigate counterparty credit risk, such risk is mitigated further for swaps that are cleared through a central counterparty. Moreover, the proposed determination would apply to a larger set of market participants than the uncleared swaps margin requirements. Thus, to the extent that the proposed determination to add certain CAD CORRA and MXN

²⁰⁶ Regulation § 39.13(g)(2)(ii)(c), 17 CFR 39.13(g)(2)(ii)(c).

²⁰⁷ Regulations §§ 23.154(b)(2)(i) and 23.159. See generally Margin and Capital Requirements for Covered Swap Entities, 80 FR 77840 (Nov. 3, 2015).

²⁰⁸ It has been argued that the cash flows of an uncollateralized swap (*i.e.*, a swap with an implicit line of credit) are over time substantially equivalent to the cash flows of a collateralized swap with an explicit line of credit. See generally Antonio S. Mello & John E. Parsons, Margins, Liquidity, and the Cost of Hedging, MIT Center for Energy and Environmental Policy Research, May 2012, available at <http://dspace.mit.edu/bitstream/handle/1721.1/70896/2012-005.pdf?sequence=1>.

²⁰⁹ *Id.* Mello and Parsons state, “[h]edging is costly. But the real source of the cost is not the margin posted, but the underlying credit risk that motivates counterparties to demand that margin be posted.” *Id.* at 12. They also note that, “[t]o a first approximation, the cost charged for the non-margined swap must be equal to the cost of funding the margin account. This follows from the fact that the non-margined swap just includes funding of the margin account as an embedded feature of the package.” *Id.* at 15–16.

²¹⁰ The cost may be greater for uncleared swaps as the initial margin is computed on a counterparty-by-counterparty basis, whereas in the clearing context, there is most likely greater opportunity for netting exposures at the DCO.

²¹¹ Among other things, the Commission’s part 23 regulations set forth material swap exposure thresholds above which the exchange of variation margin is no longer voluntary. 17 CFR 23.151 and 153.

²¹² However, exchange of variation margin will lower the build-up of current exposure.

F-TIE OIS to the clearing requirement leads to increased clearing overall, these benefits are likely to result. As is the case for the costs noted above, it is likely that the use of clearing will not increase materially as a result of the proposed rule, but implementing a clearing requirement would help ensure the benefits of the proposed rule would continue to be realized as market participants continue to clear CAD CORRA and MXN F-TIE OIS.

The proposed rule's requirement that certain swaps be cleared is intended to ensure that market participants will face a DCO, and therefore, will face a highly creditworthy counterparty. As discussed above, DCOs are some of the most creditworthy counterparties in the swap market because of the risk management tools they have available. The beneficial value of the proposal to add certain CAD CORRA and MXN F-TIE OIS to the clearing requirement may be lessened, in part, because the swap volumes that will be subject to a new clearing requirement will presumably shift from one set of swaps to another rather than a straightforward addition of new swap products to the clearing requirement.²¹³ Moreover, as noted, these benefits are already being realized for the large majority of these swaps that are cleared voluntarily.

Request for Comment

The Commission requests comment on whether benefits will result from the proposed rule, and, if so, the anticipated magnitude of such benefits. The Commission also requests comment on whether the proposed rule would provide benefits by furthering international harmonization of clearing requirements.

D. Costs and Benefits of the Proposed Amendments as Compared to Alternatives

The proposed rule is a function of both the market importance of CAD CORRA and MXN F-TIE OIS and the fact that these OIS already are widely cleared. These interest rate swaps should be required to be cleared because (i) CAD CORRA OIS are widely used; (ii) the Commission anticipates that the use of MXN F-TIE OIS will continue to increase as the transition away from MXN TIE has concluded; and (iii) infrastructure for clearing, and risk management of CAD CORRA and MXN F-TIE OIS already exists.

Given the Commission's prior clearing requirement determinations, and the widespread use of clearing for the CAD CORRA and MXN F-TIE OIS to be

added under this proposal, DCOs, FCMs, and market participants already have experience clearing the types of swaps proposed for required clearing. Because of the increasingly wide use of these RFR OIS and their importance to the market (including as alternatives to IBOR swaps that are subject to the Commission's interest rate swap clearing requirement and for which the relevant interest rate benchmark has or is expected to become unavailable), and because these swaps are already successfully being cleared, the Commission is proposing to include these swaps in the interest rate swap clearing requirement.

The Commission preliminarily finds that the CAD CORRA and MXN F-TIE OIS subject to this proposal should be added to the swap clearing requirement after analyzing the factors under section 2(h)(2)(D) of the CEA, in order to promote consistency with its regulatory counterparts in other jurisdictions and to ensure that the benefits of required clearing accrue to the CAD CORRA and MXN F-TIE OIS that replace CAD CDOR and MXN TIE swaps no longer offered for clearing.

The Commission could consider alternative implementation scenarios for its proposed CAD CORRA and MXN F-TIE OIS clearing requirements, as discussed above. The Commission requests comment on any implementation alternatives or any other plausible alternatives that the Commission should consider.

Finally, the Commission may consider an alternative scenario in which it does not adopt any new clearing requirement for CAD CORRA or MXN F-TIE OIS. Under that alternative, the cost to the market would be an increased risk of uncleared swaps (and the associated financial stability risks) should market participants decide to clear less in the future. The cost may be significant in this instance because of the potential effect on the market-wide effort to replace CAD CDOR swaps with CAD CORRA OIS and to replace MXN TIE swaps with MXN F-TIE OIS, but may be mitigated given the current high level of clearing. The benefit of not adopting any new clearing requirements would be savings experienced by market participants that would not be required to clear new CAD CDOR or MXN F-TIE OIS and did not otherwise find it beneficial to do so. However, given the high rate of voluntary clearing, any cost savings may be *de minimis*. The Commission may be less likely to pursue this alternative without some type of significant change in the interest rate swap markets.

E. Section 15(a) Factors

The Commission anticipates that the proposed amendments to add and remove certain swaps from the clearing requirement will result in a slight increase in the already high use of clearing, although it is impossible to accurately predict the size of that increase.²¹⁴ This section discusses the anticipated results from an overall increase, or maintenance at high levels, in the use of swap clearing in terms of the factors set forth in section 15(a) of the CEA.

1. Protection of Market Participants and the Public

The required clearing of the RFR OIS to be added under this proposed rule should ensure the reduction of counterparty risk for market participants that clear those swaps, because they will be required to face the DCO rather than another market participant that lacks the full set of risk management tools that the DCO possesses. This also should reduce uncertainty in times of market stress because, for cleared trades, market participants facing a DCO would not be concerned with the impact of such stress on the solvency of their original counterparty. By proposing to require clearing of MXN F-TIE OIS and additional CAD CORRA OIS, both of which are already available for clearing and predominantly cleared voluntarily, the Commission aims to modify its interest rate swap clearing requirement to reflect the market transitions from CAD CDOR to CAD CORRA and from MXN TIE to MXN F-TIE. More specifically, the registered DCOs currently clearing these RFR OIS would clear a slightly increased volume of swaps that they already understand and have experience managing. Similarly, FCMs may realize slightly increased customer and transaction volume as the result of the requirement but would not have to simultaneously learn how to operationalize clearing for the covered interest rate swaps.

In addition, uncleared swaps subject to collateral agreements can be the subject of valuation disputes, which sometimes require several months or longer to resolve. Potential future exposures can grow significantly and even beyond the amount of initial margin posted during that time, leaving one of the two counterparties exposed to counterparty credit risk. DCOs virtually eliminate valuation disputes for cleared swaps, as well as the risk that

²¹⁴ It is possible that the level of clearing overall may remain the same as the use of swaps referencing RFRs replaces the use of swaps referencing IBORs.

²¹³ As discussed in section III.A above.

uncollateralized exposure can develop and accumulate during the time when such a dispute would have otherwise occurred, thus providing additional protection to market participants that transact in cleared swaps. Because most CAD CORRA and MXN F-TIE OIS are cleared voluntarily, these benefits are currently being realized. Requiring clearing under part 50 of the Commission's regulations would ensure that these benefits continue to be realized.

2. Efficiency, Competitiveness, and Financial Integrity of Swap Markets

Swap clearing, in general, reduces uncertainty regarding counterparty risk in times of market stress and promotes liquidity and efficiency during those times. Increased liquidity promotes the ability of market participants to limit losses by exiting positions effectively and efficiently when necessary to manage risk during market stress. In addition, to the extent that positions move from facing multiple counterparties in the bilateral market to being cleared through a smaller number of clearinghouses, clearing facilitates increased netting. This reduces the amount of collateral that a party must post in margin accounts. As discussed above, in formulating this proposed determination, the Commission considered a number of specific factors that relate to the financial integrity of the swap markets. Specifically, the Commission assessed whether the registered DCOs that clear the CAD CORRA and MXN F-TIE OIS that are the subject of this proposal have the rule framework, capacity, operational expertise and resources, and credit support infrastructure to clear these swaps on terms that are consistent with the material terms and trading conventions on which the contract is then traded.²¹⁵ The Commission also considered DCOs' resources to handle additional clearing during stressed and non-stressed market conditions, as well as the existence of reasonable legal certainty in the event of a clearing member or DCO insolvency.

Also, as discussed above, bilateral swaps create counterparty risk that may lead market participants to discriminate among potential counterparties based on their creditworthiness. Such discrimination is expensive and time consuming insofar as market participants must conduct due diligence to evaluate a potential counterparty's creditworthiness. Requiring certain types of swaps to be cleared reduces the number of transactions for which such

due diligence is necessary, thereby contributing to the efficiency of the swap markets. In proposing a clearing requirement for MXN F-TIE OIS, and in proposing to modify the existing clearing requirement for CAD CORRA OIS, the Commission must consider the effect on competition, including appropriate fees and charges applied to clearing. There are a number of potential outcomes that may result from required clearing. Some of these outcomes may impose costs, such as if a DCO possessed market power and exercised that power in an anticompetitive manner, and some of the outcomes would be positive, such as if the clearing requirement facilitated a stronger entry opportunity for competitors.²¹⁶ Because most of these swaps are cleared voluntarily, these benefits related to efficiency, competitiveness, and financial integrity are, to a large degree, currently being realized. Requiring clearing would help to ensure that these benefits continue to be realized.

3. Price Discovery

Clearing, in general, encourages better price discovery because it eliminates the importance of counterparty creditworthiness in pricing swaps cleared through a given DCO. By making the counterparty creditworthiness of all swaps of a certain type essentially the same, prices should reflect factors related to the terms of the swap, rather than the idiosyncratic risk posed by the entities trading it. Because most of these swaps are cleared voluntarily, these benefits related to price discovery are currently being realized. Requiring clearing would ensure that these benefits continue to be realized.

4. Sound Risk Management Practices

If a firm enters into uncleared and uncollateralized swaps to hedge certain positions and then the counterparty to those swaps defaults unexpectedly, the firm could be left with large outstanding exposures. Even for uncleared swaps that are subject to the Commission's uncleared swap margin regulations, some counterparty credit risk remains.²¹⁷ As stated above, when a swap is cleared, the DCO becomes the counterparty facing each of the two original participants in the swap. This standardizes and reduces counterparty risk for each of the two original

participants. To the extent that a market participant's hedges comprise swaps that are required to be cleared and would not be cleared voluntarily, the requirement benefits their risk management practices by reducing their counterparty risk.

In addition, to the extent that required clearing reduces or deters a potential increase in bilateral trading, it reduces the complexity of unwinding or transferring swap positions from large entities that default. Procedures for transfer of swap positions and mutualization of losses among DCO members are already in place, and the Commission anticipates that they are much more likely to function in a manner that enables the benefit of a rapid transfer of defaulted positions than as legal processes that would surround the enforcement of bilateral contracts for uncleared swaps.²¹⁸

Central clearing has evolved since the 2009 G20 Pittsburgh Summit, when G20 leaders committed to central clearing of all standardized swaps.²¹⁹ The percentage of the swap market that is centrally cleared has increased significantly, clearinghouses have expanded their offerings, and the range of banks and other financial institutions that submit swaps to clearinghouses has broadened. At the same time, the numbers of swap clearinghouses and swap clearing members has remained highly concentrated. This has created concerns about a concentration of credit and liquidity risk at clearinghouses that could have negative systemic implications.²²⁰

However, DCOs should be capable of risk managing the swaps that are the subject of this proposed determination.

²¹⁸ Sound risk management practices are critical for all DCOs, especially those offering clearing for interest rate swaps given the size and interconnectedness of the global interest rate swap market, as presented throughout this proposal. The Commission considered whether each regulation § 39.5(b) submission under review was consistent with the DCO core principles. In particular, the Commission considered the DCO submissions in light of Core Principle D, which relates to risk management. See also section IV.C.3 above for a discussion of the effect on the mitigation of systemic risk in the interest rate swap market, as well as the protection of market participants during insolvency events at either the clearing member or DCO level.

²¹⁹ The G20 Leaders Statement made in Pittsburgh is available at <http://www.g20.utoronto.ca/2009/2009communique0925.html>.

²²⁰ See Dietrich Domanski, et al., "Central clearing: Trends and current issues," BIS Quarterly Review, Dec. 2015, available at https://www.bis.org/publ/qtrpdf/r_qt1512g.pdf; U.S. Department of the Treasury, Office of Financial Research, Financial Stability Report, at 35 (Nov. 2018), available at <https://www.federalreserve.gov/publications/files/financial-stability-report-201811.pdf>; Clearing risks in OTC derivatives markets: the CCP-bank nexus, at 77–79.

²¹⁵ See section IV above.

²¹⁶ Issues related to competition also are considered in sections IV and VIII.

²¹⁷ For example, there is a small risk of a sudden price move so large that a counterparty would be unable to pay sufficient variation margin to cover the loss, which may exceed the amount of initial margin posted, and could be forced into default.

Moreover, because most of the CAD CORRA and MXN F-TIE OIS to be added to the clearing requirement under this proposed determination are already cleared voluntarily, the Commission anticipates that the extent to which this proposed determination would increase the credit risk and liquidity risk that is concentrated at DCOs would be relatively small. The Commission requests comments on this issue.

5. Other Public Interest Considerations

In September 2009, G20 nations met in Pittsburgh and committed to a program of action that includes, among other things, central clearing of all standardized swaps.²²¹ The Commission preliminarily finds that this clearing requirement proposal is consistent with the G20's commitment and would reflect the Commission's ongoing confidence in central clearing for swaps and other derivatives. As discussed throughout this proposal, central clearing of derivatives by DCOs can serve the public interest in numerous ways.

VII. Related Matters

A. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) requires agencies to consider whether the rules they propose will have a significant economic impact on a substantial number of small entities and, if so, provide a regulatory flexibility analysis with respect to such impact.²²² This proposed determination will not affect any small entities, as the RFA uses that term. Only eligible contract participants (ECPs) may enter into swaps, unless the swap is listed on a designated contract market (DCM),²²³ and the Commission has determined that ECPs are not small entities for purposes of the RFA.²²⁴ This proposed determination would affect only ECPs because all persons that are not ECPs are required to execute their swaps on a DCM, and all contracts executed on a DCM must be cleared by a DCO, as required by statute and regulation, not the operation of any clearing requirement determination. Therefore, the Chairman, on behalf of the Commission, hereby certifies pursuant to 5 U.S.C. 605(b) that this proposed rulemaking will not have a significant

economic impact on a substantial number of small entities.

B. Paperwork Reduction Act

The Paperwork Reduction Act (PRA)²²⁵ imposes certain requirements on federal agencies, including the Commission, in connection with conducting or sponsoring any collection of information. The Commission may not conduct or sponsor, and a respondent is not required to respond to, a request for collection of information unless the information collection request displays a currently valid control number issued by the Office of Management and Budget. This rulemaking does not contain a "collection of information," as defined in the PRA. Accordingly, the requirements imposed by the PRA are not applicable to this rule.

C. Antitrust Considerations

Section 15(b) of the Act requires the Commission to "take into consideration the public interest to be protected by the antitrust laws and endeavor to take the least anticompetitive means of achieving the objectives of this Act, as well as the policies and purposes of this Act, in issuing any order or adopting any Commission rule or regulation (including any exemption under section 4(c) or 4c(b)), or in requiring or approving any bylaw, rule, or regulation of a contract market or registered futures association established pursuant to section 17 of this Act."²²⁶ The Commission believes that the public interest to be protected by the antitrust laws is generally to protect competition. The Commission requests comment on whether the proposal implicates any other specific public interest to be protected by the antitrust laws.

The Commission has considered the proposal to determine whether it is anticompetitive and has preliminarily identified no anticompetitive effects. The Commission requests comment on whether the proposal is anticompetitive and, if it is, what the anticompetitive effects are.

Because the Commission has preliminarily determined that the proposal is not anticompetitive and has no anticompetitive effects, the Commission has not identified any less anticompetitive means of achieving the purposes of the Act. The Commission requests comment on whether there are less anticompetitive means of achieving the relevant purposes of the Act.

D. Executive Orders 12866, 13563, and 14192

Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select those regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; and distributive impacts). Section 3(f) of Executive Order 12866 defines a "significant regulatory action" as any regulatory action that is likely to result in a rule that may: (1) have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities; (2) create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; (3) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or (4) raise novel legal or policy issues arising out of legal mandates, or the President's priorities.

The Office of Management and Budget has determined that this action is not a significant regulatory action as defined in Executive Order 12866, as amended, and therefore it was not subject to Executive Order 12866 review.

This Proposal, if finalized as proposed, is not expected to be an Executive Order 14192 regulatory action, because the proposed rule is not a significant regulatory action under E.O. 12866.

List of Subjects in 17 CFR Part 50

Business and industry, Clearing, Swaps.

For the reasons set forth in the preamble, the Commodity Futures Trading Commission proposes to amend 17 CFR part 50 as follows:

PART 50—CLEARING REQUIREMENT AND RELATED RULES

- 1. The authority citation for part 50 continues to read as follows:

Authority: 7 U.S.C. 2(h), 6(c), and 7a-1, as amended by Pub. L. 111–203, 124 Stat. 1376.

- 2. In § 50.4, revise paragraph (a) to read as follows:

§ 50.4 Classes of swaps required to be cleared.

(a) *Interest rate swaps.* Swaps that have the following specifications are required to be cleared under section 2(h)(1) of the Act, and shall be cleared

²²¹ The G20 Leaders Statement made in Pittsburgh is available at <http://www.g20.utoronto.ca/2009/2009communique0925.html>.

²²² 5 U.S.C. 601 *et seq.*

²²³ Section 2(e) of the CEA, 7 U.S.C. 2(e).

²²⁴ Opting Out of Segregation, 66 FR 20740, 20743 (Apr. 25, 2001).

²²⁵ 44 U.S.C. 3507(d).

²²⁶ Section 15(b) of the CEA, 7 U.S.C. 15(b).

pursuant to the rules of any derivatives clearing organization eligible to clear such swaps under § 39.5(a) of this chapter.

TABLE 1 TO PARAGRAPH (a)

Specification	Fixed-to-floating swap class					
1. Currency	Australian Dollar (AUD).	Euro (EUR)	Hong Kong Dollar (HKD).	Norwegian Krone (NOK).	Polish Zloty (PLN)	Swedish Krona (SEK).
2. Floating Rate Indexes	BBSW	EURIBOR	HIBOR	NIBOR	WIBOR	STIBOR.
3. Stated Termination Date Range	28 days to 30 years.	28 days to 50 years.	28 days to 10 years.	28 days to 10 years.	28 days to 10 years.	28 days to 15 years.
4. Optionality	No	No	No	No	No	No.
5. Dual Currencies	No	No	No	No	No	No.
6. Conditional Notional Amounts	No	No	No	No	No	No.

TABLE 2 TO PARAGRAPH (a)

Specification	Basis swap class	
1. Currency	Australian Dollar (AUD)	Euro (EUR).
2. Floating Rate Indexes	BBSW	EURIBOR.
3. Stated Termination Date Range	28 days to 30 years	28 days to 50 years.
4. Optionality	No	No.
5. Dual Currencies	No	No.
6. Conditional Notional Amounts	No	No.

TABLE 3 TO PARAGRAPH (a)

Specification	Forward rate agreement class			
1. Currency	Euro (EUR)	Polish Zloty (PLN)	Norwegian Krone (NOK)	Swedish Krona (SEK).
2. Floating Rate Indexes	EURIBOR	WIBOR	NIBOR	STIBOR.
3. Stated Termination Date Range	3 days to 3 years	3 days to 2 years	3 days to 2 years	3 days to 3 years.
4. Optionality	No	No	No	No.
5. Dual Currencies	No	No	No	No.
6. Conditional Notional Amounts	No	No	No	No.

TABLE 4 TO PARAGRAPH (a)

Specification	Overnight index swap class									
1. Currency	Australian Dollar (AUD).	Canadian Dollar (CAD).	Euro (EUR)	Mexican Peso (MXN).	Singapore Dollar (SGD).	Sterling (GBP).	Swiss Franc (CHF).	U.S. Dollar (USD).	U.S. Dollar (USD).	Yen (JPY)
2. Floating Rate Indexes	AONIA-OIS.	CORRA-OIS.	€STR	MXN-TIE ON-OIS Compound.	SORA	SONIA	SARON	FedFunds	SOFR	TONA
3. Stated Termination Date Range.	7 days to 2 years.	7 days to 30 years.	7 days to 3 years.	28 days to 21 years.	7 days to 10 years.	7 days to 50 years.	7 days to 30 years.	7 days to 3 years.	7 days to 50 years.	7 days to 30 years.
4. Optionality	No	No	No	No	No	No	No	No	No	No
5. Dual Currencies	No	No	No	No	No	No	No	No	No	No
6. Conditional Notional Amounts.	No	No	No	No	No	No	No	No	No	No

* * * * *

■ 3. In § 50.26, revise paragraph (a) to read as follows:

§ 50.26 Swap clearing requirement compliance dates.

(a) *Compliance dates for interest rate swap classes.* The compliance dates for

swaps that are required to be cleared under § 50.4(a) are specified in the following table.

TABLE 1 TO PARAGRAPH (a)

Interest Rate Swap	Fixed-to-Floating	Euro (EUR) EURIBOR	28 days to 50 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.
Interest Rate Swap	Fixed-to-Floating	Australian Dollar (AUD) BBSW.	28 days to 30 years	All entities December 13, 2016.
Interest Rate Swap	Fixed-to-Floating	Hong Kong Dollar (HKD) HIBOR.	28 days to 10 years	All entities August 30, 2017.
Interest Rate Swap	Fixed-to-Floating	Mexican Peso (MXN) TIE-BANXICO.	28 days to 21 years	All entities December 13, 2016.
Interest Rate Swap	Fixed-to-Floating	Norwegian Krone (NOK) NIBOR.	28 days to 10 years	All entities April 10, 2017.
Interest Rate Swap	Fixed-to-Floating	Polish Zloty (PLN) WIBOR	28 days to 10 years	All entities April 10, 2017.

TABLE 1 TO PARAGRAPH (a)—Continued

Interest Rate Swap	Fixed-to-Floating	Swedish Krona (SEK) STIBOR.	28 days to 15 years	All entities April 10, 2017.
Interest Rate Swap	Basis	Euro (EUR) EURIBOR	28 days to 50 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.
Interest Rate Swap	Basis	Australian Dollar (AUD) BBSW.	28 days to 30 years	All entities December 13, 2016.
Interest Rate Swap	Forward Rate Agreement	Euro (EUR) EURIBOR	3 days to 3 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.
Interest Rate Swap	Forward Rate Agreement	Polish Zloty (PLN) WIBOR	3 days to 2 years	All entities April 10, 2017.
Interest Rate Swap	Forward Rate Agreement	Norwegian Krone (NOK) NIBOR.	3 days to 2 years	All entities April 10, 2017.
Interest Rate Swap	Forward Rate Agreement	Swedish Krona (SEK) STIBOR.	3 days to 3 years	All entities April 10, 2017.
Interest Rate Swap	Overnight Index Swap	Euro (EUR) €STR	7 days to 3 years	All entities September 23, 2022.
Interest Rate Swap	Overnight Index Swap	Singapore Dollar (SGD) SORA.	7 days to 10 years	All entities October 31, 2022.
Interest Rate Swap	Overnight Index Swap	Sterling (GBP) SONIA	7 days to 2 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.
			2 years + 1 day to 3 years	All entities December 13, 2016.
			3 years + 1 day to 50 years.	All entities September 23, 2022.
Interest Rate Swap	Overnight Index Swap	Swiss Franc (CHF) SARON.	7 days to 30 years	All entities September 23, 2022.
Interest Rate Swap	Overnight Index Swap	U.S. Dollar (USD) FedFunds.	7 days to 2 years	Category 1 entities March 11, 2013. All non-Category 2 entities June 10, 2013. Category 2 entities September 9, 2013.
			2 years + 1 day to 3 years	All entities December 13, 2016.
Interest Rate Swap	Overnight Index Swap	U.S. Dollar (USD) SOFR ..	7 days to 50 years	All entities October 31, 2022.
Interest Rate Swap	Overnight Index Swap	Australian Dollar (AUD) AONIA-OIS.	7 days to 2 years	All entities December 13, 2016.
Interest Rate Swap	Overnight Index Swap	Canadian Dollar (CAD) CORRA-OIS.	7 days to 2 years	All entities July 10, 2017.
			2 years + 1 day to 30 years.	All entities [DATE WILL BE 30 DAYS AFTER DATE OF PUBLICATION OF FINAL RULE IN THE FEDERAL REGISTER .]
Interest Rate Swap	Overnight Index Swap	Yen (JPY) TONA	7 days to 30 years	All entities September 23, 2022.
Interest Rate Swap	Overnight Index Swap	Mexican Peso (MXN) MXN-TIIE ON-OIS Compound.	28 days to 21 years	All entities [DATE WILL BE 30 DAYS AFTER DATE OF PUBLICATION OF FINAL RULE IN THE FEDERAL REGISTER .]

* * * * *

Issued in Washington, DC, on May 8, 2026, by the Commission.

Robert Sidman,

Deputy Secretary of the Commission.

Note: The following appendix will not appear in the Code of Federal Regulations.

Clearing Requirement Determination Under Section 2(h) of the Commodity Exchange Act for Interest Rate Swaps To Account for CAD and MXN Interest Rate Benchmark Transitions—Commission Voting Summary

On this matter, Chairman Selig voted in the affirmative. No Commissioner voted in the negative.

[FR Doc. 2026–09428 Filed 5–11–26; 8:45 am]

BILLING CODE 6351–01–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 165

[Docket Number USCG–2026–0405]

RIN 1625–AA00

Safety Zone; James River, Richmond, VA

AGENCY: Coast Guard, Department of Homeland Security.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard is proposing to establish a temporary safety zone for certain navigable waters of the James River. The safety zone is needed to protect personnel, vessels, and the marine environment from potential hazards created by a fireworks display. This proposed rulemaking would prohibit persons and vessels from being in the safety zone unless specifically authorized by the Captain of the Port, Sector Virginia. We invite your comments on this proposed rulemaking.

DATES: Comments and related material must be received by the Coast Guard on or before May 27, 2026.

ADDRESSES: To submit comments and view available documents, go to <https://www.regulations.gov> and search for USCG–2026–0405.

FOR FURTHER INFORMATION CONTACT: If you have questions about this proposed rule, contact LCDR Justin Z. Strassfield, Sector Virginia Waterways Management Division, U.S. Coast Guard; by phone, at (206) 815–7367, or by email, at VirginiaWayerways@uscg.mil.

SUPPLEMENTARY INFORMATION:

I. Table of Abbreviations

CFR Code of Federal Regulations
COTP Captain of the Port, Sector Virginia
DHS Department of Homeland Security
FR Federal Register
NPRM Notice of proposed rulemaking
§ Section
U.S.C. United States Code

II. Background and Authority

On December 18, 2025, the Virginia Museum of History and Culture notified the Coast Guard that they will be launching fireworks from land adjacent to the James River in Richmond, VA on

June 13, 2026. Hazards from fireworks displays include accidental discharge of fireworks, dangerous projectiles, and falling hot embers or other debris. The Captain of the Port Sector Virginia (COTP) has determined that potential hazards associated with fireworks are a safety concern for anyone within 400 feet of the fireworks display. Therefore, the COTP is proposing this rule under the authority in 46 U.S.C. 70034, which is needed to protect personnel, vessels, and the marine environment in the navigable waters within the safety zone. The regulatory text we are proposing appears at the end of this document.

III. Discussion of the Rule

This proposed rule would establish a safety zone from 9 p.m. until 10 p.m. on June 13, 2026. The safety zone would cover all navigable waters within the following positions: 37°31'18" N, 077°25'10" W; 37°31'19" N, 077°25'07" W; 37°31'11" N, 077°25'04" W; 37°31'11" N, 077°25'06" W. No vessel or person would be permitted to enter the safety zone without obtaining permission from the COTP or their designated representative. The regulatory text we are proposing appears at the end of this document.

IV. Regulatory Analyses

We developed this proposed rule after considering numerous statutes and Executive orders related to rulemaking. Below we summarize our analyses based on a number of these statutes and Executive orders.

A. Impact on Small Entities

The Regulatory Flexibility Act of 1980, 5 U.S.C. 601–612, as amended, requires Federal agencies to consider the potential impact of regulations on small entities during rulemaking. The term “small entities” comprises small businesses, not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000. Section 605 of the RFA allows an agency to certify a rule, in lieu of preparing an analysis, if the rulemaking is not expected to have a significant economic impact on a substantial number of small entities. The Coast Guard certifies under 5 U.S.C. 605(b) that this proposed rule would not have a significant economic impact on a substantial number of small entities for the following reasons.

Vessel traffic will be able to safely transit around this regulated area. This regulation will only impact a small area for 1 hour. The enforcement period is during a time when vessel traffic is

normally low. In addition, the Coast Guard will issue a Broadcast Notice to Mariners via VHF FM marine channel 16, which will allow small entities to adjust their transit plans, and the rule allows vessels to request permission to enter the regulated area from the COTP.

If you think that your business, organization, or governmental jurisdiction qualifies as a small entity and that this proposed rule would have a significant economic impact on it, please submit a comment (see **ADDRESSES**) explaining why you think it qualifies and how and to what degree this proposed rule would economically affect it.

Under section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104–121), if this proposed rule will affect your small business, organization, or governmental jurisdiction and you have questions, contact the person listed in the **FOR FURTHER INFORMATION CONTACT** section. Small businesses may send comments to the Small Business and Agriculture Regulatory Enforcement Ombudsman and the Regional Small Business Regulatory Fairness Boards by calling 1–888–REG–FAIR (1–888–734–3247).

B. Collection of Information

This proposed rule will not call for a new collection of information under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520).

C. Federalism and Indian Tribal Governments

We have analyzed this proposed rule under Executive Order 13132, Federalism, and have determined that it is consistent with the fundamental federalism principles and preemption requirements described in that Order.

Also, this proposed rule does not have tribal implications under Executive Order 13175, Consultation and Coordination with Indian Tribal Governments, because it does not have a substantial direct effect on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes, or on the distribution of power and responsibilities between the Federal Government and Indian tribes.

D. Unfunded Mandates Reform Act

As required by The Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538), the Coast Guard certifies that this proposed rule will not result in an annual expenditure of \$100,000,000 or more (adjusted for inflation) by a State, local, or tribal government, in the aggregate, or by the private sector.

E. Environment

We have analyzed this proposed rule under Department of Homeland Security Directive 023–01, Rev. 1, associated implementing instructions, and Environmental Planning COMDTINST 5090.1 (series), which guide the Coast Guard in complying with the National Environmental Policy Act of 1969 (42 U.S.C. 4321–4370f), and have determined that this action is one of a category of actions that do not individually or cumulatively have a significant effect on the human environment.

This proposed rule is a safety zone. It is categorically excluded from further review under paragraph L60(a) of Appendix A, Table 1 of DHS Instruction Manual 023–01–001–01, Rev. 1. A Record of Environmental Consideration supporting this determination is available in the docket.

V. Public Participation and Request for Comments

We view public participation as essential to effective rulemaking and will consider all comments and material received during the comment period. Your comment can help shape the outcome of this rulemaking. If you submit a comment, please include the docket number for this rulemaking, indicate the specific section of this document to which each comment applies, and provide a reason for each suggestion or recommendation.

Submitting comments. We encourage you to submit comments at <https://www.regulations.gov>. To do so, go to <https://www.regulations.gov>, type USCG–2026–0405 in the search box and click “Search.” Next, look for this document in the Search Results column, and click on it. Then click on the Comment option. If you cannot submit your material by using <https://www.regulations.gov>, call or email the person in the **FOR FURTHER INFORMATION CONTACT** section of this proposed rule for alternate instructions.

Viewing material in the docket. To view available documents, find the docket as described in the previous paragraph, and then select “Supporting & Related Material” in the Document Type column. We will post public comments in our online docket. Additional information is on the <https://www.regulations.gov> Frequently Asked Questions web page.

Personal information. We accept anonymous comments. Comments we post to <https://www.regulations.gov> will include any personal information you have provided. For more about privacy and submissions to the docket in

response to this document, see DHS's eRulemaking System of Records notice (85 FR 14226, March 11, 2020).

List of Subjects in 33 CFR Part 165

Harbors, Marine safety, Navigation (water), Reporting and recordkeeping requirements, Security measures, Waterways.

For the reasons discussed in the preamble, the Coast Guard is proposing to amend 33 CFR part 165 as follows:

PART 165—REGULATED NAVIGATION AREAS AND LIMITED ACCESS AREAS

■ 1. The authority citation for part 165 continues to read as follows:

Authority: 46 U.S.C. 70034, 70051, 70124; 33 CFR 1.05–1, 6.04–1, 6.04–6, and 160.5; Department of Homeland Security Delegation No. 00170.1, Revision No. 01.4.

■ 2. Add § 165.T05–0405 to read as follows:

§ 165.T05–0405 Safety Zone; James River, Richmond, VA

(a) *Location.* The following area is a safety zone: All waters of the James River, from surface to bottom, encompassed by a line connecting the following 37°31'18" N, 077°25'10" W; 37°31'19" N, 077°25'07" W; 37°31'11" N, 077°25'04" W; 37°31'11" N, 077°25'06" W. These coordinates are based on the World Geodetic System (WGS 84).

(b) *Definitions.* As used in this section, *designated representative* means a Coast Guard Patrol Commander, including a Coast Guard coxswain, petty officer, or other officer operating a Coast Guard vessel and a Federal, State, and local officer designated by or assisting the Captain of the Port Sector Virginia (COTP) in the enforcement of the safety zone.

(c) *Regulations.* (1) Under the general safety zone regulations in subpart C of this part, you may not enter the safety zone described in paragraph (a) of this section unless authorized by the COTP or the COTP's designated representative.

(2) To seek permission to enter, contact the COTP or the COTP's representative on VHF–FM channel 16 or by telephone at 877–722–5727. Those in the safety zone must comply with all lawful orders or directions given to them by the COTP or the COTP's designated representative.

(d) *Enforcement period.* This section will be enforced from 9 p.m. to 10 p.m. on June 13, 2026.

Peggy M. Britton,

Captain, U.S. Coast Guard, Captain of the Port, Sector Virginia.

[FR Doc. 2026–09377 Filed 5–11–26; 8:45 am]

BILLING CODE 9110–04–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

45 CFR Part 1302

RIN 0970–AD21

Restoring Flexibility To Support Head Start Program Access

AGENCY: Office of Head Start (OHS), Administration for Children and Families (ACF), Department of Health and Human Services (HHS).

ACTION: Notice of proposed rulemaking.

SUMMARY: In this notice of proposed rulemaking (NPRM), the Administration for Children and Families (ACF) proposes to remove requirements from the Head Start Program Performance Standards (Performance Standards) to restore local flexibility to Head Start programs and improve access to quality services. Specifically, this NPRM proposes to remove requirements related to wages and benefits that the Administration believes are not in line with the plain language of the Head Start Act and are costly and overly prescriptive for Head Start programs and staff. ACF estimates these proposed changes, if finalized, will result in over \$2 billion in future cost savings for Head Start programs. The proposed rescissions in this NPRM, if finalized, would impact the costliest parts of the final rule published by the Office of Head Start (OHS) in 2024, *Supporting the Head Start Workforce and Consistent Quality Programming*.¹

DATES: Consideration will be given to comments received on or before June 11, 2026.

ADDRESSES: You may submit comments, identified by ACF–2026–0364 by any of the following methods:

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions for submitting comments.
- **Mail:** Office of Head Start, Attention: Director of Policy and Planning, 330 C Street SW, 4th Floor, Washington, DC 20201.

Instructions: All submissions received must include the agency name and docket number (ACF–2026–0364) or Regulatory Information Number (RIN) for this rulemaking. All comments received will be posted without change to <http://www.regulations.gov>, including any personal information provided. As

¹ See *Supporting the Head Start Workforce and Consistent Quality Programming*, 89 FR 67720 (August 21, 2024). (<https://www.federalregister.gov/d/2024-18279>).

required by the Administrative Procedure Act at 553(b)(4), a plain language summary of the rule is available on the Federal eRulemaking Portal at <http://www.regulations.gov>.

FOR FURTHER INFORMATION CONTACT: Shawna Pinckney, Office of Head Start, 866–763–6481, OHS_Policy@acf.hhs.gov.

SUPPLEMENTARY INFORMATION:

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- III. Section-by-Section Discussion of Proposed Changes
 - Restoring Flexibility To Support the Workforce (§ 1302.90)
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- IV. Regulatory Process Matters
 - Regulatory Flexibility Act
 - Unfunded Mandates Reform Act of 1995
 - Federalism Assessment Executive Order 13132
 - Treasury and General Government Appropriations Act of 1999
 - Paperwork Reduction Act of 1995
- V. Regulatory Impact Analysis

I. Background

The federal Head Start program provides early education and other comprehensive services to low-income pregnant women and children prenatal to age 5 in center- and home-based settings across the country. Since its inception in 1965 as part of the War on Poverty, Head Start has been a leader in providing high-quality services that support the development of children from low-income families, helping them enter kindergarten more prepared to succeed in school and in life. Research shows that the first five years of a child's life are pivotal for brain development, laying the foundation for all future learning, behavior, and health.² For children in poverty, this period is even more crucial, as they often face additional stressors—such as inadequate nutrition or limited access to educational resources—that can hinder brain development.³ Research demonstrates that early intervention,

² Institute of Medicine and National Research Council. (2000). *From Neurons to Neighborhoods: The Science of Early Childhood Development*. Washington, DC: The National Academies Press. <https://doi.org/10.17226/9824>; Tierney A.L. & Nelson, C.A. (2009). *Brain Development and the Role of Experience in the Early Years*. Zero Three. 30(2):9–13.

³ Blair, C. & Raver, CC. (2016). Poverty, Stress, and Brain Development: New Directions for Prevention and Intervention. *Academic Pediatrics*, 16(3 Suppl):S30–6.; Robinson L.R., Bitsko, R.H., & Thompson, R.A., et al. (2017). *CDC Grand Rounds: Addressing Health Disparities in Early Childhood*. *MMWR Morb Mortal Wkly Rep* 2017; 66:769–772. DOI: <http://dx.doi.org/10.15585/mmwr.mm6629a1>.

including quality early education, is key to disrupting the cycle of poverty and supporting the development of young children so they are more prepared to succeed in school and in life. Indeed, a wealth of evidence supports the positive outcomes for low-income children and their families who participate in and graduate from Head Start programs.⁴

The Head Start Program Performance Standards (Performance Standards), first published in the 1970s, are the foundation on which Head Start programs design and deliver high-quality, comprehensive services to children and their families. They set forth the requirements local grant recipients must meet to support the cognitive, social, emotional, and healthy development of children enrolled in the program. They include requirements to provide education, health, mental health, nutrition, and family and community engagement services, as well as requirements for local program governance and federal administration of the program.

The *Improving Head Start for School Readiness Act of 2007* (the 2007 Reauthorization), which amended the Head Start Act (the Act), required the Department of Health and Human Services (HHS) to ensure children and families receive quality Head Start services. The 2007 Reauthorization also required the Secretary of HHS to revise the Performance Standards, as needed. This authority has provided a basis for updates and changes made to the Performance Standards since 2007. HHS conducted a major revision of the Performance Standards through a final rule published in 2016 to implement the statutory changes in the 2007 Reauthorization and to enhance program requirements to reflect the latest science on child development. Subsequently, HHS published a final rule in 2024⁵ that added a number of specific and costly requirements for programs related to supports for the Head Start workforce, among other changes. This NPRM proposes necessary changes to bring the Head Start regulations in line with the Head Start Act. It restores flexibility to local Head Start programs and improves access for children and families by removing the

costly requirements added in 2024. These proposed changes are explained in greater detail in the sections that follow. There were several additional changes to the Performance Standards through the 2024 final rule. At this time, ACF is not proposing additional rescissions or modifications of other changes from the 2024 final rule. However, ACF invites public comment on other changes from the 2024 final rule that ACF should consider for rescission or modification in a future NPRM, particularly changes that were burdensome for programs.

II. Statutory Authority To Issue NPRM

ACF publishes this NPRM under the authority granted to the Secretary of Health and Human Services by sections 641A, 645A, and 653 of the Act (42 U.S.C. 9836a, 9840a, and 9848), as amended by the Improving Head Start for School Readiness Act of 2007 (Pub. L. 110–134). Under these sections, the Secretary is required to establish performance standards and other regulations for Head Start and Early Head Start programs. Specifically, sections 641A(a)(1) and (2) of the Act require the Secretary to “modify, as necessary, program performance standards by regulation applicable to Head Start agencies and programs.”⁶ This proposed rule meets the statutory requirements Congress put forth in its 2007 bipartisan reauthorization of the Head Start program and addresses Congress’s mandate that called for the Secretary to review and revise the Performance Standards. The Secretary has determined that the modifications to the Performance Standards contained in this proposed regulation are appropriate and needed to effectuate the goals of the Performance Standards and the purposes of the Act.

III. Section-by-Section Discussion of Proposed Changes

Restoring Flexibility To Support the Workforce (§ 1302.90)

Sections 1302.90(e) and 1302.90(f) outline specific requirements for programs to provide wages and benefits, respectively, for the Head Start workforce. These requirements were newly added to the Performance Standards through the publication of a final rule in 2024, *Supporting the Head Start Workforce and Consistent Quality Programming*.⁷

More specifically, the wage standards in § 1302.90(e) require, by August 1, 2031, that programs: develop or update a pay scale for all staff; provide education staff with wages comparable to public preschool teachers; provide all staff a salary sufficient to cover basic costs of living; and promote wage comparability across Head Start Preschool and Early Head Start. Additional standards in § 1302.90(e) describe exemptions and a waiver under certain conditions.

The benefits standards in § 1302.90(f) require, by August 1, 2028, that programs: provide full-time staff with health care coverage, paid leave, and behavioral health services; facilitate access to health care coverage for part-time staff; and facilitate access to child care subsidies and student loan forgiveness for eligible staff. Additional standards in § 1302.90(f) require programs to reassess their benefits package every five years and describe exemptions. Without this proposed regulatory action, programs will be required to comply with these requirements by August 2028 (for benefits) and August 2031 (for wages).

ACF has determined that the wage and benefit requirements exceed the Head Start Act’s statutory requirements by restricting program flexibility and imposing a federal minimum wage that would likely exceed the Fair Labor Standards Act level.

The 2024 final rule asserted that the Head Start statute directs the Secretary to “assure the comparability of wages” as justification for imposing new wage requirements. A plain reading of the statute at 42 U.S.C. 9848(a) demonstrates that this is not the case.

First, 42 U.S.C. 9848(a) sets a cap on wages to ensure Head Start educators are not compensated above a certain threshold. The statute directs the Secretary to “take such action . . . to assure” that Head Start personnel “shall not receive compensation . . . in excess of . . . the average rate of compensation paid in the area where the program is carried out . . . or in excess of the average rate of compensation paid to a substantial number of persons providing substantially comparable services[.]” The 2024 final rule redefined “in excess of” to mean “not less than.” A plain reading of the statute demonstrates that OHS lacks the authority to impose these wage mandates on Head Start programs.

Second, 42 U.S.C. 9848(a) sets the federal minimum wage as the floor Head Start programs must meet or exceed. The role of the Secretary is to ensure Head Start staff are not paid less than the federal minimum wage, as established under the Fair Labor

⁴Deming, D. (2009). Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start. *American Economic Journal: Applied Economics*, 1:3, 111–134.; Lipscomb, S.T., Pratt, M.E., Schmitt, S.A., Pears, K.C., and Kim, H.K. (2013). School readiness is children living in non-parental care: Impacts of Head Start. *Journal of Applied Developmental Psychology*, 31 (1), 28–37.

⁵See *Supporting the Head Start Workforce and Consistent Quality Programming*, 89 FR 67720 (August 21, 2024). (<https://www.federalregister.gov/d/2024-18279>).

⁶See section 641A(a)(1) and (2) of the Act.

⁷See *Supporting the Head Start Workforce and Consistent Quality Programming*, 89 FR 67720 (August 21, 2024). (<https://www.federalregister.gov/d/2024-18279>).

Standards Act of 1938 (29 U.S.C. 206(a)(1)). Nowhere in the Head Start statute does Congress provide HHS authority to selectively implement a higher minimum wage or redefine the federal minimum wage.

Third, with the 2024 final rule, HHS reinterpreted the Head Start statute to require agencies to implement salary scales. The statute does not, however, allow the Secretary to impose wage scales on employers and instead says that HHS “shall encourage Head Start agencies to provide compensation according to salary scale.” Again, the proposed rule redefines plain language in statute to impose a preferred policy objective that ACF believes is better left for Congress, this time unilaterally deciding that “encourage” means “require,” demanding Head Start programs “implement a salary scale, salary schedule, wage ladder, or other similar pay structure.” ACF’s belief is that Congress intentionally did not prescribe strict wage scales in statute, ensuring that programs have needed flexibility to serve children, which HHS flagrantly ignored in its 2024 final rule.

As outlined above, ACF has determined that the requirements in the 2024 final rule are beyond statutory authority, in addition to being overly prescriptive and costly. A core principle of the Head Start model is local flexibility for individual programs to design services that are responsive to the individual needs of the communities in which they operate. Many Head Start programs across the country continue to face staffing shortages;⁸ however, ACF believes a plain reading of the statute requires the federal government to offer programs more discretion and flexibility to determine how to best address staff recruitment and retention challenges based on their state and local contexts. Since the publication of the final rule in 2024, ACF is aware that external groups representing Head Start programs have expressed similar concerns regarding needed flexibility for programs, as well as concerns about the wage and benefit requirements going into effect without additional appropriations from Congress to support their implementation.⁹

⁸ National Head Start Association (2025). An Update on Head Start’s Ongoing Workforce Challenges. National Head Start Association. Retrieved from: <https://nhsa.org/wp-content/uploads/2025/01/OngoingWorkforceChallengesJan2025.pdf>.

⁹ National Head Start Association (2024). Supporting the Head Start Workforce and Consistent Quality Programming: NHSA’s Summary of the Final Rule. Retrieved from: Final Rule Summary. (<https://nhsa.org/wp-content/uploads/2024/08/FinalRuleSummary.pdf>).

In the 2024 final rule,¹⁰ ACF estimated the costs of these requirements to be approximately \$1.2 billion for the wage standards and \$877 million for the benefits standards, by the time of full implementation in 2031. In the absence of additional Congressional appropriations to support these requirements, ACF estimates in this NPRM that full implementation of these standards by 2031 would require programs to cut approximately 106,000 Head Start slots (see the Regulatory Impact Analysis¹¹ for additional details). Hundreds of thousands of families—including working parents—rely on Head Start as a safe, high quality early care and education (ECE) option for their children. The Head Start program’s two-generation approach with comprehensive services supporting all domains of development ensures children are ready for entry into formal schooling and helps move families out of poverty. It is critically important that programs maintain services for as many Head Start children and families that are eligible as possible.

For these reasons, in this NPRM, ACF proposes to remove from the Performance Standards all the wages and benefits requirements in § 1302.90(e) and (f). The proposed rescission of the wage and benefit requirements will align with a plain reading of the statute, restore needed flexibility and autonomy to local programs, and reduce unnecessary regulatory burden, so that local programs may determine the best path forward for their communities. ACF estimates that these proposed changes will yield approximately \$2.1 billion in future annual cost savings for programs (see the Regulatory Impact Analysis for further details).

It is in the best interest of Head Start programs, children, and families for these proposed changes to become effective, in order to ensure Head Start services can continue for as many children and families as possible.

ACF believes that the benefits of these proposed rescissions will be significant for Head Start programs as well as the children and families they serve. Overall, these proposed rescissions are supported by the plain language of the Head Start Act and, if finalized, will give programs greater flexibility to determine how best to achieve their goals and administer a high-quality

¹⁰ See Supporting the Head Start Workforce and Consistent Quality Programming, 89 FR 67720 (August 21, 2024).

¹¹ See section V. *Regulatory Impact Analysis* of this NPRM.

Head Start program while maximizing enrollment for children and families.

Effective Dates

The current Performance Standards remain in effect until this NPRM becomes final. We propose for all changes in this NPRM to become effective 60 days after it is published as a final rule in the **Federal Register**.

Compliance With Sec. 641A(a)(2) of the Act

In developing proposed modifications to the Performance Standards, ACF considered feedback from the field on the 2024 final rule, including from Office of Head Start (OHS) staff, from external organizations that represent Head Start programs, and from Head Start grant recipients. OHS regional staff directly support Head Start grants and program operations as their primary job responsibility, and regional staff regularly share feedback and implementation challenges from grant recipients. ACF also received feedback related to ongoing concerns from external organizations about the implications of the wages and benefits requirements on access to Head Start services.¹²

ACF requests feedback on the proposals in this NPRM from experts in the fields of child development, early childhood education, child health care, family services, administration, and financial management, and from persons with experience in the operation of Head Start programs. ACF also specifically requests feedback from Indian Tribes. This feedback, submitted through the public comment process on the NPRM, is an integral part of the development of the final rule.

Severability

HHS intends that, once the proposed rule becomes final, the changes arising from this rule to remove the provisions in § 1302.90(e) are severable from the removal of the provisions in § 1302.90(f). To the extent that any portion of either of these changes are declared invalid by a court, HHS intends that the remaining change remain in effect.

IV. Regulatory Process Matters

ACF has examined the impacts of the proposed rule under Executive Order 12866, Executive Order 13563, Executive Order 13132, the Regulatory

¹² National Head Start Association (2024). Supporting the Head Start Workforce and Consistent Quality Programming: NHSA’s Summary of the Final Rule. Retrieved from: Final Rule Summary. (<https://nhsa.org/wp-content/uploads/2024/08/FinalRuleSummary.pdf>).

Flexibility Act (5 U.S.C. 601–612), and the Unfunded Mandates Reform Act of 1995 (Pub. L. 104–4). Executive Orders 12866 and 13563 direct us to assess all benefits, costs, and transfers of available regulatory alternatives and, when regulation is necessary, to select regulatory approaches that maximize net benefits.

Section 3(f) of Executive Order 12866 defines a “significant regulatory action” as an action that is likely to result in a rule: (1) Having an annual effect on the economy of \$100 million or more, or adversely affecting in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or Tribal governments or communities; (2) creating a serious inconsistency or otherwise interfering with an action taken or planned by another agency; (3) materially altering the budgetary impacts of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or (4) raising novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles set forth in Executive Order 12866. This proposed rule, if finalized, would be a significant rule and the Regulatory Impact Analysis (RIA) for this proposed rule identifies economic impacts that exceed the threshold for significance under Section 3(f)(1) of Executive Order 12866. This proposed rule, if finalized as proposed, is expected to be a deregulatory action under Executive Order 14192.

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA), see 5 U.S.C. 605(b), as amended by the Small Business Regulatory Enforcement Fairness Act, requires federal agencies to determine, to the extent feasible, a rule’s impact on small entities, explore regulatory options for reducing any significant impact on a substantial number of such entities, and explain their regulatory approach. The term “small entities,” as defined in the RFA, comprises small businesses, not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000. Under this definition, some Head Start grant recipients may be small entities. A rule is considered to have a significant impact on a substantial number of small entities if it has at least a three percent impact on revenue on at least five percent of small entities. However, the

Secretary certifies, under 5 U.S.C. 605(b), as enacted by the Regulatory Flexibility Act (Pub. L. 96–354), that this proposed rule, if finalized, will not have a significant impact on a substantial number of small entities.

Unfunded Mandates Reform Act of 1995

The Unfunded Mandates Reform Act of 1995 (Pub. L. 104–4, section 202(a)) requires us to prepare a written statement, which includes estimates of anticipated impacts, before publishing “any rule that includes any Federal mandate that may result in the expenditure by State, local, and Tribal governments, in the aggregate, or by the private sector, of \$100,000,000 or more (adjusted annually for inflation) in any one year.” The current threshold after adjustment for inflation is \$193 million, using the most current (2025) Implicit Price Deflator for the Gross Domestic Product. This proposed rule, if finalized, would not result in unfunded mandates that meet or exceed this amount. Head Start grant recipients receive over \$12 billion annually in federal funding to implement the requirements of the program, including policy changes as a result of this proposed rule.

Federalism Assessment Executive Order 13132

Executive Order 13132 requires federal agencies to consult with State and local government officials if they develop regulatory policies with federalism implications. Federalism is rooted in the belief that issues that are not national in scope or significance are most appropriately addressed by the level of government close to the people. This proposed rule, if finalized, does not have substantial direct impact on the states, on the relationship between the federal government and the states, or on the distribution of power and responsibilities among the various levels of government. Therefore, in accordance with section 6 of Executive Order 13132, it is determined that this action does not have sufficient federalism implications to warrant the preparation of a federalism summary impact statement.

Treasury and General Government Appropriations Act of 1999

Section 654 of the Treasury and General Government Appropriations Act of 1999 requires federal agencies to determine whether a policy or regulation may negatively affect family well-being. If the agency determines a

policy or regulation negatively affects family well-being, then the agency must prepare an impact assessment addressing seven criteria specified in the law. ACF believes it is not necessary to prepare a family policymaking assessment (see Public Law 105–277) because the action it takes in this proposed rule does not have any impact on the autonomy or integrity of the family as an institution.

Paperwork Reduction Act of 1995

The Paperwork Reduction Act (PRA) of 1995, 44 U.S.C. 3501 *et seq.*, minimizes government-imposed burden on the public. In keeping with the notion that government information is a valuable asset, it also is intended to improve the practical utility, quality, and clarity of information collected, maintained, and disclosed.

The PRA requires that agencies obtain OMB approval, which includes issuing an OMB number and expiration date, before requesting most types of information from the public. Regulations at 5 CFR part 1320 implemented the provisions of the PRA and § 1320.3 defines a “collection of information,” “information,” and “burden.” PRA defines “information” as any statement or estimate of fact or opinion, regardless of form or format, whether numerical, graphic, or narrative form, and whether oral or maintained on paper, electronic, or other media (5 CFR 1320.3(h)). This includes requests for information to be sent to the Government, such as forms, written reports and surveys, recordkeeping requirements, and third-party or public disclosures (5 CFR 1320.3(c)). “Burden” means the total time, effort, or financial resources expended by persons to collect, maintain, or disclose information.

In the 2024 final rule, ACF estimated a paperwork burden of 5 hours per respondent¹³ to track wages for Head Start staff and school district staff. This paperwork burden would be removed as a result of this proposed rule, if finalized. This change would impact the existing information collection approved under OMB control number 0970–0148. The proposed removal of the wage and benefit requirements would reduce the overall estimated burden on respondents to adhere to the information collection and recordkeeping requirements subject to the PRA.

The following table outlines the recordkeeping requirement that would be removed.

¹³ See section VII. *Regulatory Process Matters* of Supporting the Head Start Workforce and

Consistent Quality Programming, 89 FR 67720 (August 21, 2024).

Recordkeeping standard	Annual number of respondents	Average burden hours per response	Annual burden hours
Tracking wages for Head Start staff and staff in local school districts	2,900	5	14,500

V. Regulatory Impact Analysis

A. Need for Regulatory Action

The Performance Standards, established and updated as needed through regulation, are the foundation on which Head Start programs design and deliver high-quality, comprehensive services to children and families. The Performance Standards set forth the requirements that local grant recipients must meet to support the cognitive, social, emotional, and healthy development of children enrolled in the program. In August 2024, ACF published in the **Federal Register** a final rule that revised and updated the Performance Standards.

Most notably, OHS added a series of new requirements in the 2024 final rule related to staff wages and benefits in an attempt to support and stabilize the Head Start workforce. However, these requirements were too prescriptive for all communities that Head Start programs serve according to feedback received from stakeholders. Therefore, this NPRM proposes to remove these wage and benefit requirements from the Performance Standards. Once finalized, these changes will restore more local flexibility to grant recipients and provide them the ability to determine the compensation packages that best meet the unique needs of their workforce. Furthermore, without additional appropriations from Congress, approximately 106,000 funded Head Start slots would need to be cut in order for programs to meet these requirements by the specified deadline. While it is clear that competitive wages and benefits are important for attracting and retaining a qualified Head Start workforce, establishing one-size-fits-all wage and benefit requirements at the expense of reducing access to high-quality program services may not be most beneficial, especially at a time when access to child care is already lacking.¹⁴ Furthermore, both underenrollment and classroom teacher turnover across Head Start programs nationally have decreased since the 2024 final rule. More specifically, underenrollment was approximately 8 percent nationally in

2025, as compared to 13 percent nationally in the 2024 final rule. Similarly, classroom teacher turnover decreased from 19 percent in the 2024 final rule to 17 percent by 2025. As a result, ACF believes rescinding the staff wage and benefit requirements is the best option to restore local flexibility to Head Start service providers, improve access to Head Start program services, and eliminate unnecessary regulatory burden.

B. Transfer Analysis

The Performance Standards as revised through a final rule¹⁵ published in August 2024 include new requirements for Head Start programs to provide competitive wages and benefits for staff to address staff recruitment and retention challenges. Specifically, the 2024 final rule established four interrelated requirements related to staff wages—programs must establish a pay scale for all staff; demonstrate progress to pay parity with public preschool teachers for Head Start education staff; increase the minimum pay for all staff; and demonstrate wage comparability between preschool and infant and toddler education staff. The 2024 final rule also established requirements for staff benefits, including requirements for programs to provide staff with access to health insurance; paid leave; behavioral health benefits; and connections to child care subsidies and public service loan forgiveness. Without additional regulatory action, programs will be required to comply with these requirements by August 2028 (for benefits) and August 2031 (for wages). For the purposes of this analysis, we adopt the assumptions contained in the Regulatory Impact Analysis (RIA) of the 2024 final rule as the baseline scenario. This NPRM proposes to remove the wage and benefit requirements from the Performance Standards due to their excessive fiscal impacts and prescriptiveness. Thus, we report the economic impact of this NPRM as the reversal of the benefits, costs, and transfers of the 2024 final rule.

With the wage and benefit requirements rescinded, programs will no longer have to implement them by the compliance dates described above.

This ultimately results in averting the anticipated expenditures needed to implement the wage and benefit requirements for Head Start staff; or, alternatively, averting the loss of services to children under the requirements of the 2024 final rule. The 2024 final rule RIA estimated that the four wage requirements would cost approximately \$1.2 billion in nominal dollars when fully implemented in 2031. The RIA estimated that the staff benefit requirements would cost approximately \$877 million in nominal dollars in 2031. ACF combines these figures to estimate the total transfers associated with removing these wage and benefit requirements—resulting in the reduction of \$2.1 billion in expenditures.

In order to estimate the number of Head Start slots that will be saved by removing these staff wage and benefit requirements, ACF determined the proportion of FY 2024 funded enrollment that are Head Start Preschool slots (73.7 percent), and Early Head Start slots (26.3 percent), respectively. Next, ACF applied this proportion to the total monetary cost associated with this rule in FY 2024 dollars (\$1.7 billion) and divided the cost that would be borne by the average cost per slot for Head Start Preschool in FY 2024 (\$15,187) and the cost that will be borne in Early Head Start by the average cost per slot for Early Head Start in FY 2024 (\$20,460). ACF uses cost per child because it is the best indicator for the number of slots programs would be able to retain if the staff wages and benefits requirements are removed from the Performance Standards through in this NPRM.

These calculations result in \$1.3 billion in transfers attributed to Head Start Preschool slots and \$452 million in transfers attributed to Early Head Start slots (in FY 2024 dollars). When divided by average cost per slot, this results in approximately 84,000 Head Start Preschool slots and 22,000 Early Head Start slots saved. Collectively, the net transfers associated with this proposed rule, if finalized, reflect a retention of approximately 106,000 Head Start slots (number of children served) nationally. In other words, by removing the wage and benefit requirements from the Performance Standards, and in the absence of additional appropriation increases for

¹⁴ Friedman-Krauss, A.H., Barnett, W.S., Hodges, K.S., Garver, K.A., Duer, J., Weisenfeld, G., & Siegel, J. (2025). The State of Preschool 2024: State Preschool Yearbook. New Brunswick, NJ: National Institute for Early Education Research.

¹⁵ See *Supporting the Head Start Workforce and Consistent Quality Programming*, 89 FR 67720 (August 21, 2024).

Head Start, programs will save as many as 106,000 slots that would otherwise have been cut in order to implement these wage and benefit requirements in the future.

Transfers Summary

Table 1 summarizes the quantified transfers with this proposed rule and the present value and annualized values

corresponding to a 3% and 7% discount rate, with all monetary estimates reported in millions of constant 2024 dollars. Table 2 reports the same impacts in nominal dollars.

Table 1. Transfers Associated with the Proposed Rule (Millions of Constant 2024 Dollars)

Year	Wage	Benefit	Total
2026	\$99	\$31	\$130
2027	\$247	\$78	\$325
2028	\$395	\$125	\$520
2029	\$592	\$587	\$1,179
2030	\$789	\$661	\$1,450
2031 ¹	\$987	\$735	\$1,722
2032	\$987	\$735	\$1,722
2033	\$987	\$735	\$1,722
2034	\$987	\$735	\$1,722
Present Value, 3%	\$5,062	\$3,666	\$8,728
Annualized, 3%	\$650	\$471	\$1,121
Present Value, 7%	\$4,029	\$2,893	\$6,922
Annualized, 7%	\$618	\$444	\$1,062

¹ The wage and benefit requirements in the 2024 final rule would be fully implemented by 2031.

Table 2. Transfers Associated with the Proposed Rule (Millions of Nominal Dollars)

Year	Wage	Benefit	Total
2026	\$103	\$33	\$136
2027	\$264	\$84	\$348
2028	\$432	\$138	\$570
2029	\$663	\$666	\$1,329
2030	\$905	\$769	\$1,674
2031 ¹	\$1,157	\$877	\$2,034
2032	\$1,184	\$900	\$2,084
2033	\$1,211	\$924	\$2,135
2034	\$1,239	\$948	\$2,187
Present Value, 3%	\$5,951	\$4,415	\$10,366
Annualized, 3%	\$764	\$567	\$1,331
Present Value, 7%	\$4,718	\$3,472	\$8,189
Annualized, 7%	\$724	\$533	\$1,257

¹ The wage and benefit requirements in the 2024 final rule would be fully implemented by 2031.

C. Non-Quantified Impacts of Certain Elements for the Proposed Rule

In addition to the transfers quantified in this RIA, removing staff wage and benefit requirements will restore local flexibility for individual programs to design services that are responsive to

the individual needs of the communities in which they operate. Many programs continue to face staffing shortages that impact their ability to serve as many children as possible;¹⁶ however, the

¹⁶ National Head Start Association (2025). An Update on Head Start's Ongoing Workforce

changes in this proposed rule, if finalized, provide programs more discretion to determine how to best

Challenges. National Head Start Association. Retrieved from: <https://nhsa.org/wp-content/uploads/2025/08/OngoingWorkforceChallengesJan2025.pdf>.

address staff recruitment and retention challenges based on their local contexts. The rescission of the wage and benefit requirements as proposed in this NPRM will restore needed flexibility and autonomy to local programs so they may determine the best path forward for their program. By proposing to remove several costly requirements related to staff wages and benefits, these changes, if finalized, will alleviate unnecessary regulatory burden placed on Head Start programs.

D. Alternatives to the Proposed Rule

ACF considered and assessed several policy alternatives to the proposed rule. In the analysis below, we model a full rescission of the 2024 final rule, which included the following policies with quantified economic impacts: staff wages, staff benefits, staff breaks, family service worker family assignments,

mental health supports, and preventing and addressing lead exposure, as well as associated administrative costs. Our modeling approach of separately estimating and reporting the costs associated with each of these policies enabled ACF to assess additional policy alternatives, such as rescinding subsets of policies included with the 2024 final rule. As noted in our main analysis, ACF is proposing to rescind a particular subset of those policies, rather than a full rescission. All other policies beyond these from the 2024 final rule were not associated with quantified effects. Table 3 and Table 4 summarize the total expenditures needed to implement the 2024 final rule that would represent reductions in expenditures if the 2024 final rule were rescinded, reporting yearly estimates, and present value and annualized values corresponding to a

3% and 7% discount rate (updated from a 2% discount rate applied in the 2024 final rule RIA) for each of the policies. Collectively, the net reduction in expenditures associated with a full rescission of the 2024 final rule reflects a retention of approximately 96,000 Head Start Preschool slots and 25,000 Early Head Start slots nationally. In other words, by rescinding the 2024 final rule, Head Start programs would retain approximately 121,000 slots that would otherwise have been cut in order to implement these policies. This represents an additional 15,000 slots saved beyond the 106,000 retained by rescinding the staff wage and benefit policies. The tables below, as well as the additional analyses documented in this RIA, enabled ACF to appropriately consider a range of feasible policy alternatives.

Table 3. Reductions in Expenditures of Rescinding the 2024 Final Rule (Millions of Constant 2024 Dollars)

Year	Wage	Benefit	Breaks	Family Services	Mental Health	Lead	Other	Total
2026	\$99	\$31	\$0	\$0	\$61	\$8	\$0	\$199
2027	\$247	\$78	\$64	\$125	\$64	\$5	\$0	\$583
2028	\$395	\$125	\$64	\$125	\$64	\$5	\$0	\$778
2029	\$592	\$587	\$64	\$125	\$64	\$2	\$0	\$1,435
2030	\$789	\$661	\$64	\$125	\$64	\$4	\$0	\$1,708
2031	\$987	\$735	\$64	\$125	\$64	\$3	\$0	\$1,978
2032	\$987	\$735	\$64	\$125	\$64	\$2	\$0	\$1,977
2033	\$987	\$735	\$64	\$125	\$64	\$2	\$0	\$1,977
2034	\$987	\$735	\$64	\$125	\$64	\$3	\$0	\$1,978
Present Value, 3%	\$5,062	\$3,666	\$436	\$852	\$495	\$30	\$0	\$10,544
Annualized, 3%	\$650	\$471	\$56	\$109	\$64	\$4	\$0	\$1,354
Present Value, 7%	\$4,029	\$2,893	\$357	\$698	\$414	\$26	\$0	\$8,419
Annualized, 7%	\$618	\$444	\$55	\$107	\$64	\$4	\$0	\$1,292

Table 4. Reductions in Expenditures of Rescinding the 2024 Final Rule (Millions of Nominal Dollars)

Year	Wage	Benefit	Breaks	Family Services	Mental Health	Lead	Other	Total
2026	\$103	\$33	\$0	\$0	\$64	\$8	\$0	\$208
2027	\$264	\$84	\$69	\$135	\$69	\$5	\$0	\$625
2028	\$432	\$138	\$70	\$138	\$70	\$6	\$0	\$854
2029	\$663	\$666	\$72	\$141	\$72	\$3	\$0	\$1,616
2030	\$905	\$769	\$74	\$144	\$73	\$5	\$0	\$1,970
2031	\$1,157	\$877	\$75	\$147	\$75	\$3	\$0	\$2,335
2032	\$1,184	\$900	\$77	\$151	\$77	\$3	\$0	\$2,391
2033	\$1,211	\$924	\$79	\$154	\$79	\$3	\$0	\$2,449
2034	\$1,239	\$948	\$81	\$158	\$80	\$4	\$0	\$2,509
Present Value, 3%	\$5,951	\$4,415	\$507	\$992	\$567	\$35	\$0	\$12,464
Annualized, 3%	\$764	\$567	\$65	\$127	\$73	\$5	\$0	\$1,601
Present Value, 7%	\$4,718	\$3,472	\$413	\$808	\$472	\$30	\$0	\$9,910
Annualized, 7%	\$724	\$533	\$63	\$124	\$72	\$5	\$0	\$1,521

List of Subjects in 45 CFR Part 1302

Early education, Grant programs, Head Start, Workforce, Wages, Benefits.

For reasons stated in the preamble, ACF proposes to amend 45 CFR part 1302 as follows.

PART 1302—PROGRAM OPERATIONS

■ 1. The authority for part 1302 continues to read as follows:

Authority: 42 U.S.C. 9801 *et seq.*

§ 1302.90 Personnel policies. [Amended]

■ 2. Amend § 1302.90 by removing paragraph (e) and paragraph (f).

Robert F. Kennedy, Jr.,
Secretary, Department of Health and Human Services.

[FR Doc. 2026–09383 Filed 5–11–26; 8:45 am]

BILLING CODE 4184–40–P

Notices

Federal Register

Vol. 91, No. 91

Tuesday, May 12, 2026

This section of the FEDERAL REGISTER contains documents other than rules or proposed rules that are applicable to the public. Notices of hearings and investigations, committee meetings, agency decisions and rulings, delegations of authority, filing of petitions and applications and agency statements of organization and functions are examples of documents appearing in this section.

CIVIL RIGHTS COLD CASE RECORDS REVIEW BOARD

[Agency Docket Number: CRCCRRB-2026-0012-N]

Notice of Formal Determination on Records Release

AGENCY: Civil Rights Cold Case Records Review Board.

ACTION: Notice.

SUMMARY: The Civil Rights Cold Case Records Review Board received 7,664 pages of records from the National Archives and Records Administration (NARA), the Department of Justice, and the Federal Bureau of Investigation (FBI) related to two civil rights cold case incidents to which the Review Board assigned the unique identifiers 2023-001-003 and 2023-001-004. The agencies proposed 1,458 postponements including postponements of sealed federal grand jury information in the records. After discussions with the Review Board, the Department of Justice and the FBI withdrew 68 postponements. On April 24, 2026, the Review Board approved 737 postponements and portions of 71 additional postponements, and determined that 7,312 pages in full and 178 pages in part should be publicly

disclosed in the Civil Rights Cold Case Records Collection. The Review Board will request that the Attorney General petition the relevant court to unseal the federal grand jury information in the records related to incident 2023-001-003. By issuing this notice, the Review Board complies with the Civil Rights Cold Case Records Collection Act of 2018 that requires the Review Board to publish in the **Federal Register** its determinations on the disclosure or postponement of records in the Collection no more than 14 days after the date of its decision.

FOR FURTHER INFORMATION CONTACT: Stephannie Oriabure, Chief of Staff, Civil Rights Cold Case Records Review Board, 1800 F Street NW, Washington, DC 20405, (771) 221-0014, *info@coldcaserecords.gov*.

SUPPLEMENTARY INFORMATION:

Incident identifier	Postponement identifier	Review board decision
2023-001-003	2024-NARA-01-0291 and 2024-NARA-01-0292	Reject.
2023-001-003	2024-NARA-01-0293 through 2024-NARA-01-0309	Approve.
2023-001-003	2024-NARA-01-0310 through 2024-NARA-01-0318	Reject.
2023-001-003	2024-NARA-01-0319 through 2024-NARA-01-0344	Approve.
2023-001-003	2024-NARA-01-0345 through 2024-NARA-01-0355	Reject.
2023-001-003	2024-NARA-01-0356 through 2024-NARA-01-0386	Approve.
2023-001-003	2024-DOJ-01-0074 and 2024-DOJ-01-0075	Reject.
2023-001-003	2024-DOJ-01-0076	Approve with changes.
2023-001-003	2024-DOJ-01-0077 through 2024-DOJ-01-0080	Approve.
2023-001-003	2024-DOJ-01-0081 through 2024-DOJ-01-0091	Reject.
2023-001-003	2024-DOJ-01-0092 through 2024-DOJ-01-0100	Approve.
2023-001-003	2024-DOJ-01-0101 and 2024-DOJ-01-0102	Withdrawn by agency.
2023-001-003	2024-DOJ-01-0103 through 2024-DOJ-01-0168	Approve.
2023-001-003	2024-DOJ-01-0169 through 2024-DOJ-01-0181	Reject.
2023-001-003	2024-DOJ-01-0182 through 2024-DOJ-01-0209	Approve.
2023-001-003	2024-DOJ-01-0210 and 2024-DOJ-01-0211	Reject.
2023-001-003	2024-FBI-01-0878 through 2024-FBI-01-0880	Reject.
2023-001-003	2024-FBI-01-0881	Approve.
2023-001-003	2024-FBI-01-0882 and 2024-FBI-01-0883	Withdrawn by agency.
2023-001-003	2024-FBI-01-0884 through 2024-FBI-01-0956	Reject.
2023-001-003	2024-FBI-01-0957	Approve with changes.
2023-001-003	2024-FBI-01-0958 and 2024-FBI-01-0959	Reject.
2023-001-003	2024-FBI-01-0960 and 2024-FBI-01-0961	Approve.
2023-001-003	2024-FBI-01-0962	Withdrawn by agency.
2023-001-003	2024-FBI-01-0963	Approve with changes.
2023-001-003	2024-FBI-01-0964	Approve.
2023-001-003	2024-FBI-01-0965	Withdrawn by agency.
2023-001-003	2024-FBI-01-0966	Approve with changes.
2023-001-003	2024-FBI-01-0967 through 2024-FBI-01-0973	Approve.
2023-001-003	2024-FBI-01-0974	Approve with changes.
2023-001-003	2024-FBI-01-0975 and 2024-FBI-01-0976	Approve.
2023-001-003	2024-FBI-01-0977	Withdrawn by agency.
2023-001-003	2024-FBI-01-0978 through 2024-FBI-01-0981	Approve.
2023-001-003	2024-FBI-01-0982	Withdrawn by agency.
2023-001-003	2024-FBI-01-0983	Approve with changes.
2023-001-003	2024-FBI-01-0984 and 2024-FBI-01-0985	Approve.
2023-001-003	2024-FBI-01-0986	Withdrawn by agency.
2023-001-003	2024-FBI-01-0987	Approve with changes.
2023-001-003	2024-FBI-01-0988 through 2024-FBI-01-0990	Approve.
2023-001-003	2024-FBI-01-0991	Withdrawn by agency.

Incident identifier	Postponement identifier	Review board decision
2023-001-003	2024-FBI-01-0992	Approve with changes.
2023-001-003	2024-FBI-01-0993	Approve.
2023-001-003	2024-FBI-01-0994	Withdrawn by agency.
2023-001-003	2024-FBI-01-0995	Approve with changes.
2023-001-003	2024-FBI-01-0996 and 2024-FBI-01-0997	Approve.
2023-001-003	2024-FBI-01-0998	Withdrawn by agency.
2023-001-003	2024-FBI-01-0999	Approve with changes.
2023-001-003	2024-FBI-01-1000	Approve.
2023-001-003	2024-FBI-01-1001 and 2024-FBI-01-1002	Reject.
2023-001-003	2024-FBI-01-1003	Approve.
2023-001-003	2024-FBI-01-1004 and 2024-FBI-01-1005	Reject.
2023-001-003	2024-FBI-01-1006	Withdrawn by agency.
2023-001-003	2024-FBI-01-1007	Approve with changes.
2023-001-003	2024-FBI-01-1008	Withdrawn by agency.
2023-001-003	2024-FBI-01-1009	Approve with changes.
2023-001-003	2024-FBI-01-1010 through 2024-FBI-01-1014	Reject.
2023-001-003	2024-FBI-01-1015	Approve.
2023-001-003	2024-FBI-01-1016 through 2024-FBI-01-1018	Reject.
2023-001-003	2024-FBI-01-1019 through 2024-FBI-01-1033	Approve.
2023-001-003	2024-FBI-01-1034	Reject.
2023-001-003	2024-FBI-01-1035	Approve.
2023-001-003	2024-FBI-01-1036	Approve with changes.
2023-001-003	2024-FBI-01-1037 through 2024-FBI-01-1047	Reject.
2023-001-003	2024-FBI-01-1048	Approve.
2023-001-003	2024-FBI-01-1049 through 2024-FBI-01-1055	Reject.
2023-001-003	2024-FBI-01-1056 and 2024-FBI-01-1057	Approve.
2023-001-003	2024-FBI-01-1058 and 2024-FBI-01-1059	Reject.
2023-001-003	2024-FBI-01-1060 through 2024-FBI-01-1064	Approve.
2023-001-003	2024-FBI-01-1065	Approve with changes.
2023-001-003	2024-FBI-01-1066 through 2024-FBI-01-1081	Approve.
2023-001-003	2024-FBI-01-1082	Reject.
2023-001-003	2024-FBI-01-1083	Approve.
2023-001-003	2024-FBI-01-1084	Approve with changes.
2023-001-003	2024-FBI-01-1085 through 2024-FBI-01-1087	Approve.
2023-001-003	2024-FBI-01-1088	Approve with changes.
2023-001-003	2024-FBI-01-1089	Approve.
2023-001-003	2024-FBI-01-1090	Approve with changes.
2023-001-003	2024-FBI-01-1091	Approve.
2023-001-003	2024-FBI-01-1092	Approve with changes.
2023-001-003	2024-FBI-01-1093	Approve.
2023-001-003	2024-FBI-01-1094	Approve with changes.
2023-001-003	2024-FBI-01-1095 through 2024-FBI-01-1097	Approve.
2023-001-003	2024-FBI-01-1098 through 2024-FBI-01-1102	Reject.
2023-001-003	2024-FBI-01-1103	Approve.
2023-001-003	2024-FBI-01-1104 through 2024-FBI-01-1106	Reject.
2023-001-003	2024-FBI-01-1107 through 2024-FBI-01-1121	Approve.
2023-001-003	2024-FBI-01-1122	Reject.
2023-001-003	2024-FBI-01-1123	Approve.
2023-001-003	2024-FBI-01-1124	Approve with changes.
2023-001-003	2024-FBI-01-1125 through 2024-FBI-01-1138	Reject.
2023-001-003	2024-FBI-01-1139	Approve.
2023-001-003	2024-FBI-01-1140 through 2024-FBI-01-1145	Reject.
2023-001-003	2024-FBI-01-1146	Approve.
2023-001-003	2024-FBI-01-1147 through 2024-FBI-01-1151	Reject.
2023-001-003	2024-FBI-01-1152	Approve.
2023-001-003	2024-FBI-01-1153 through 2024-FBI-01-1159	Reject.
2023-001-003	2024-FBI-01-1160	Approve.
2023-001-003	2024-FBI-01-1161 through 2024-FBI-01-1165	Reject.
2023-001-003	2024-FBI-01-1166 through 2024-FBI-01-1169	Withdrawn by agency.
2023-001-003	2024-FBI-01-1170	Approve with changes.
2023-001-003	2024-FBI-01-1171	Approve.
2023-001-003	2024-FBI-01-1172	Reject.
2023-001-003	2024-FBI-01-1173 and 2024-FBI-01-1174	Approve.
2023-001-003	2024-FBI-01-1175	Reject.
2023-001-003	2024-FBI-01-1176 through 2024-FBI-01-1178	Approve.
2023-001-003	2024-FBI-01-1179 through 2024-FBI-01-1181	Withdrawn by agency.
2023-001-003	2024-FBI-01-1182 and 2024-FBI-01-1183	Approve.
2023-001-003	2024-FBI-01-1184	Approve with changes.
2023-001-003	2024-FBI-01-1185 through 2024-FBI-01-1188	Approve.
2023-001-003	2024-FBI-01-1189	Reject.
2023-001-003	2024-FBI-01-1190 through 2024-FBI-01-1193	Withdrawn by agency.
2023-001-003	2024-FBI-01-1194	Approve with changes.
2023-001-003	2024-FBI-01-1195	Approve.

Incident identifier	Postponement identifier	Review board decision
2023-001-003	2024-FBI-01-1196	Reject.
2023-001-003	2024-FBI-01-1197 and 2024-FBI-01-1198	Approve.
2023-001-003	2024-FBI-01-1199	Reject.
2023-001-003	2024-FBI-01-1200 through 2024-FBI-01-1202	Approve.
2023-001-003	2024-FBI-01-1203 through 2024-FBI-01-1205	Reject.
2023-001-003	2024-FBI-01-1206 and 2024-FBI-01-1207	Approve.
2023-001-003	2024-FBI-01-1208	Approve with changes.
2023-001-003	2024-FBI-01-1209 through 2024-FBI-01-1212	Approve.
2023-001-003	2024-FBI-01-1213 through 2024-FBI-01-1217	Reject.
2023-001-003	2024-FBI-01-1218	Approve.
2023-001-003	2024-FBI-01-1219 through 2024-FBI-01-1221	Reject.
2023-001-003	2024-FBI-01-1222 through 2024-FBI-01-1236	Approve.
2023-001-003	2024-FBI-01-1237	Reject.
2023-001-003	2024-FBI-01-1238	Approve with changes.
2023-001-003	2024-FBI-01-1239	Approve.
2023-001-003	2024-FBI-01-1240 through 2024-FBI-01-1258	Reject.
2023-001-003	2024-FBI-01-1259	Approve.
2023-001-003	2024-FBI-01-1260 and 2024-FBI-01-1261	Reject.
2023-001-003	2024-FBI-01-1262 and 2024-FBI-01-1263	Approve.
2023-001-003	2024-FBI-01-1264	Withdrawn by agency.
2023-001-003	2024-FBI-01-1265	Approve with changes.
2023-001-003	2024-FBI-01-1266 and 2024-FBI-01-1267	Approve.
2023-001-003	2024-FBI-01-1268	Approve with changes.
2023-001-003	2024-FBI-01-1269 through 2024-FBI-01-1276	Approve.
2023-001-003	2024-FBI-01-1277 and 2024-FBI-01-1278	Approve with changes.
2023-001-003	2024-FBI-01-1279	Approve.
2023-001-003	2024-FBI-01-1280 and 2024-FBI-01-1281	Withdrawn by agency.
2023-001-003	2024-FBI-01-1282 through 2024-FBI-01-1285	Approve.
2023-001-003	2024-FBI-01-1286	Withdrawn by agency.
2023-001-003	2024-FBI-01-1287	Approve with changes.
2023-001-003	2024-FBI-01-1288 and 2024-FBI-01-1289	Approve.
2023-001-003	2024-FBI-01-1290 and 2024-FBI-01-1291	Withdrawn by agency.
2023-001-003	2024-FBI-01-1292 through 2024-FBI-01-1296	Approve.
2023-001-003	2024-FBI-01-1297 and 2024-FBI-01-1298	Withdrawn by agency.
2023-001-003	2024-FBI-01-1299 through 2024-FBI-01-1301	Approve.
2023-001-003	2024-FBI-01-1302 and 2024-FBI-01-1303	Withdrawn by agency.
2023-001-003	2024-FBI-01-1304	Approve.
2023-001-003	2024-FBI-01-1305	Reject.
2023-001-003	2024-FBI-01-1306 through 2024-FBI-01-1308	Approve.
2023-001-003	2024-FBI-01-1309	Withdrawn by agency.
2023-001-003	2024-FBI-01-1310	Approve with changes.
2023-001-003	2024-FBI-01-1311 and 2024-FBI-01-1312	Approve.
2023-001-003	2024-FBI-01-1313 through 2024-FBI-01-1330	Reject.
2023-001-004	2024-NARA-01-0001 through 2024-NARA-01-0013	Reject.
2023-001-004	2024-NARA-01-0014	Approve with changes.
2023-001-004	2024-NARA-01-0015 through 2024-NARA-01-0170	Approve.
2023-001-004	2024-NARA-01-0171 through 2024-NARA-01-0175	Reject.
2023-001-004	2024-NARA-01-0176	Approve with changes.
2023-001-004	2024-NARA-01-0177 and 2024-NARA-01-0178	Reject.
2023-001-004	2024-NARA-01-0179	Approve with changes.
2023-001-004	2024-NARA-01-0180 through 2024-NARA-01-0182	Approve.
2023-001-004	2024-NARA-01-0183 through 2024-NARA-01-0195	Reject.
2023-001-004	2024-NARA-01-0196	Approve with changes.
2023-001-004	2024-NARA-01-0197 through 2024-NARA-01-0202	Reject.
2023-001-004	2024-NARA-01-0203	Approve with changes.
2023-001-004	2024-NARA-01-0204	Reject.
2023-001-004	2024-NARA-01-0205 and 2024-NARA-01-0206	Approve.
2023-001-004	2024-NARA-01-0207	Reject.
2023-001-004	2024-NARA-01-0208	Approve with changes.
2023-001-004	2024-NARA-01-0209	Approve.
2023-001-004	2024-NARA-01-0210	Approve with changes.
2023-001-004	2024-NARA-01-0211 through 2024-NARA-01-0217	Reject.
2023-001-004	2024-NARA-01-0218	Approve with changes.
2023-001-004	2024-NARA-01-0219	Reject.
2023-001-004	2024-NARA-01-0220 and 2024-NARA-01-0221	Approve.
2023-001-004	2024-NARA-01-0222 through 2024-NARA-01-0228	Reject.
2023-001-004	2024-NARA-01-0229 and 2024-NARA-01-0230	Approve.
2023-001-004	2024-NARA-01-0231	Reject.
2023-001-004	2024-NARA-01-0232	Approve with changes.
2023-001-004	2024-NARA-01-0233	Approve.
2023-001-004	2024-NARA-01-0234	Approve with changes.
2023-001-004	2024-NARA-01-0235	Approve.
2023-001-004	2024-NARA-01-0236	Approve with changes.

Incident identifier	Postponement identifier	Review board decision
2023-001-004	2024-NARA-01-0237 and 2024-NARA-01-0238	Reject.
2023-001-004	2024-NARA-01-0239	Approve with changes.
2023-001-004	2024-NARA-01-0240	Reject.
2023-001-004	2024-NARA-01-0241	Approve with changes.
2023-001-004	2024-NARA-01-0242 through 2024-NARA-01-0244	Reject.
2023-001-004	2024-NARA-01-0245	Approve.
2023-001-004	2024-NARA-01-0246 through 2024-NARA-01-0248	Reject.
2023-001-004	2024-NARA-01-0249	Approve.
2023-001-004	2024-NARA-01-0250	Reject.
2023-001-004	2024-NARA-01-0251 and 2024-NARA-01-0252	Approve.
2023-001-004	2024-NARA-01-0253	Reject.
2023-001-004	2024-NARA-01-0254	Approve.
2023-001-004	2024-NARA-01-0255 through 2024-NARA-01-0257	Reject.
2023-001-004	2024-NARA-01-0258	Approve with changes.
2023-001-004	2024-NARA-01-0259	Reject.
2023-001-004	2024-NARA-01-0260	Approve with changes.
2023-001-004	2024-NARA-01-0261	Reject.
2023-001-004	2024-NARA-01-0262	Approve with changes.
2023-001-004	2024-NARA-01-0263 through 2024-NARA-01-0265	Reject.
2023-001-004	2024-NARA-01-0266	Approve.
2023-001-004	2024-NARA-01-0267 through 2024-NARA-01-0269	Reject.
2023-001-004	2024-NARA-01-0270	Approve with changes.
2023-001-004	2024-NARA-01-0271	Reject.
2023-001-004	2024-NARA-01-0272	Approve.
2023-001-004	2024-NARA-01-0273	Reject.
2023-001-004	2024-NARA-01-0274 and 2024-NARA-01-0275	Approve with changes.
2023-001-004	2024-NARA-01-0276 through 2024-NARA-01-0279	Approve.
2023-001-004	2024-NARA-01-0280	Approve with changes.
2023-001-004	2024-NARA-01-0281 through 2024-NARA-01-0290	Approve.
2023-001-004	2024-DOJ-01-0024 through 2024-DOJ-01-0031	Reject.
2023-001-004	2024-DOJ-01-0032	Approve.
2023-001-004	2024-DOJ-01-0033 through 2024-DOJ-01-0037	Reject.
2023-001-004	2024-DOJ-01-0038 and 2024-DOJ-01-0039	Approve.
2023-001-004	2024-DOJ-01-0040 and 2024-DOJ-01-0041	Reject.
2023-001-004	2024-DOJ-01-0042 through 2024-DOJ-01-0056	Approve.
2023-001-004	2024-DOJ-01-0057 through 2024-DOJ-01-0068	Reject.
2023-001-004	2024-DOJ-01-0069	Approve.
2023-001-004	2024-DOJ-01-0070	Reject.
2023-001-004	2024-DOJ-01-0071 through 2024-DOJ-01-0073	Approve.
2023-001-004	2024-FBI-01-0449 through 2024-FBI-01-0451	Reject.
2023-001-004	2024-FBI-01-0452	Approve.
2023-001-004	2024-FBI-01-0453 and 2024-FBI-01-0454	Withdrawn by agency.
2023-001-004	2024-FBI-01-0455 through 2024-FBI-01-0528	Reject.
2023-001-004	2024-FBI-01-0529	Approve.
2023-001-004	2024-FBI-01-0530 and 2024-FBI-01-0531	Reject.
2023-001-004	2024-FBI-01-0532 and 2024-FBI-01-0533	Approve.
2023-001-004	2024-FBI-01-0534 and 2024-FBI-01-0535	Withdrawn by agency.
2023-001-004	2024-FBI-01-0536	Approve with changes.
2023-001-004	2024-FBI-01-0537 and 2024-FBI-01-0538	Approve.
2023-001-004	2024-FBI-01-0539	Withdrawn by agency.
2023-001-004	2024-FBI-01-0540	Approve with changes.
2023-001-004	2024-FBI-01-0541 through 2024-FBI-01-0549	Approve.
2023-001-004	2024-FBI-01-0550	Approve with changes.
2023-001-004	2024-FBI-01-0551 and 2024-FBI-01-0552	Approve.
2023-001-004	2024-FBI-01-0553	Withdrawn by agency.
2023-001-004	2024-FBI-01-0554 through 2024-FBI-01-0557	Approve.
2023-001-004	2024-FBI-01-0558	Withdrawn by agency.
2023-001-004	2024-FBI-01-0559	Approve with changes.
2023-001-004	2024-FBI-01-0560 and 2024-FBI-01-0561	Approve.
2023-001-004	2024-FBI-01-0562	Withdrawn by agency.
2023-001-004	2024-FBI-01-0563	Approve with changes.
2023-001-004	2024-FBI-01-0564 through 2024-FBI-01-0567	Approve.
2023-001-004	2024-FBI-01-0568	Withdrawn by agency.
2023-001-004	2024-FBI-01-0569	Approve with changes.
2023-001-004	2024-FBI-01-0570 and 2024-FBI-01-0571	Approve.
2023-001-004	2024-FBI-01-0572	Withdrawn by agency.
2023-001-004	2024-FBI-01-0573	Approve with changes.
2023-001-004	2024-FBI-01-0574 through 2024-FBI-01-0576	Approve.
2023-001-004	2024-FBI-01-0577	Withdrawn by agency.
2023-001-004	2024-FBI-01-0578	Approve with changes.
2023-001-004	2024-FBI-01-0579	Approve.
2023-001-004	2024-FBI-01-0580 through 2024-FBI-01-0584	Reject.
2023-001-004	2024-FBI-01-0585	Approve.

Incident identifier	Postponement identifier	Review board decision
2023-001-004	2024-FBI-01-0586 through 2024-FBI-01-0588	Reject.
2023-001-004	2024-FBI-01-0589 through 2024-FBI-01-0604	Approve.
2023-001-004	2024-FBI-01-0605	Reject.
2023-001-004	2024-FBI-01-0606	Approve.
2023-001-004	2024-FBI-01-0607	Approve with changes.
2023-001-004	2024-FBI-01-0608	Approve.
2023-001-004	2024-FBI-01-0609 through 2024-FBI-01-0619	Reject.
2023-001-004	2024-FBI-01-0620	Approve.
2023-001-004	2024-FBI-01-0621 through 2024-FBI-01-0628	Reject.
2023-001-004	2024-FBI-01-0629 and 2024-FBI-01-0630	Approve.
2023-001-004	2024-FBI-01-0631 and 2024-FBI-01-0632	Reject.
2023-001-004	2024-FBI-01-0633 through 2024-FBI-01-0637	Approve.
2023-001-004	2024-FBI-01-0638	Approve with changes.
2023-001-004	2024-FBI-01-0639 through 2024-FBI-01-0654	Approve.
2023-001-004	2024-FBI-01-0655	Reject.
2023-001-004	2024-FBI-01-0656	Approve.
2023-001-004	2024-FBI-01-0657	Approve with changes.
2023-001-004	2024-FBI-01-0658 through 2024-FBI-01-0661	Approve.
2023-001-004	2024-FBI-01-0662	Approve with changes.
2023-001-004	2024-FBI-01-0663	Approve.
2023-001-004	2024-FBI-01-0664	Approve with changes.
2023-001-004	2024-FBI-01-0665 and 2024-FBI-01-0666	Approve.
2023-001-004	2024-FBI-01-0667	Approve with changes.
2023-001-004	2024-FBI-01-0668	Approve.
2023-001-004	2024-FBI-01-0669	Approve with changes.
2023-001-004	2024-FBI-01-0670 through 2024-FBI-01-0672	Approve.
2023-001-004	2024-FBI-01-0673 through 2024-FBI-01-0677	Reject.
2023-001-004	2024-FBI-01-0678	Approve.
2023-001-004	2024-FBI-01-0679 through 2024-FBI-01-0681	Reject.
2023-001-004	2024-FBI-01-0682 through 2024-FBI-01-0697	Approve.
2023-001-004	2024-FBI-01-0698	Reject.
2023-001-004	2024-FBI-01-0699	Approve.
2023-001-004	2024-FBI-01-0700	Approve with changes.
2023-001-004	2024-FBI-01-0701	Approve.
2023-001-004	2024-FBI-01-0702 through 2024-FBI-01-0715	Reject.
2023-001-004	2024-FBI-01-0716	Approve.
2023-001-004	2024-FBI-01-0717 through 2024-FBI-01-0722	Reject.
2023-001-004	2024-FBI-01-0723	Approve.
2023-001-004	2024-FBI-01-0724 through 2024-FBI-01-0728	Reject.
2023-001-004	2024-FBI-01-0729	Approve.
2023-001-004	2024-FBI-01-0730 through 2024-FBI-01-0736	Reject.
2023-001-004	2024-FBI-01-0737	Approve.
2023-001-004	2024-FBI-01-0738 through 2024-FBI-01-0750	Reject.
2023-001-004	2024-FBI-01-0751	Approve.
2023-001-004	2024-FBI-01-0752 through 2024-FBI-01-0754	Reject.
2023-001-004	2024-FBI-01-0755 through 2024-FBI-01-0769	Approve.
2023-001-004	2024-FBI-01-0770	Reject.
2023-001-004	2024-FBI-01-0771	Approve with changes.
2023-001-004	2024-FBI-01-0772	Approve.
2023-001-004	2024-FBI-01-0773 through 2024-FBI-01-0791	Reject.
2023-001-004	2024-FBI-01-0792	Approve.
2023-001-004	2024-FBI-01-0793 and 2024-FBI-01-0794	Reject.
2023-001-004	2024-FBI-01-0795 and 2024-FBI-01-0796	Approve.
2023-001-004	2024-FBI-01-0797 and 2024-FBI-01-0798	Withdrawn by agency.
2023-001-004	2024-FBI-01-0799	Approve with changes.
2023-001-004	2024-FBI-01-0800 and 2024-FBI-01-0801	Approve.
2023-001-004	2024-FBI-01-0802 and 2024-FBI-01-0803	Withdrawn by agency.
2023-001-004	2024-FBI-01-0804	Approve with changes.
2023-001-004	2024-FBI-01-0805 through 2024-FBI-01-0813	Approve.
2023-001-004	2024-FBI-01-0814 and 2024-FBI-01-0815	Approve with changes.
2023-001-004	2024-FBI-01-0816	Approve.
2023-001-004	2024-FBI-01-0817 and 2024-FBI-01-0818	Withdrawn by agency.
2023-001-004	2024-FBI-01-0819 through 2024-FBI-01-0822	Approve.
2023-001-004	2024-FBI-01-0823 and 2024-FBI-01-0824	Withdrawn by agency.
2023-001-004	2024-FBI-01-0825	Approve.
2023-001-004	2024-FBI-01-0826	Reject.
2023-001-004	2024-FBI-01-0827 and 2024-FBI-01-0828	Approve.
2023-001-004	2024-FBI-01-0829 and 2024-FBI-01-0830	Withdrawn by agency.
2023-001-004	2024-FBI-01-0831 through 2024-FBI-01-0836	Approve.
2023-001-004	2024-FBI-01-0837 and 2024-FBI-01-0838	Withdrawn by agency.
2023-001-004	2024-FBI-01-0839 through 2024-FBI-01-0842	Approve.
2023-001-004	2024-FBI-01-0843 and 2024-FBI-01-0844	Withdrawn by agency.
2023-001-004	2024-FBI-01-0845	Approve.

Incident identifier	Postponement identifier	Review board decision
2023-001-004	2024-FBI-01-0846	Reject.
2023-001-004	2024-FBI-01-0847 through 2024-FBI-01-0849	Approve.
2023-001-004	2024-FBI-01-0850 and 2024-FBI-01-0851	Withdrawn by agency.
2023-001-004	2024-FBI-01-0852 through 2024-FBI-01-0854	Approve.
2023-001-004	2024-FBI-01-0855	Reject.
2023-001-004	2024-FBI-01-0856	Withdrawn by agency.
2023-001-004	2024-FBI-01-0857	Approve.
2023-001-004	2024-FBI-01-0858	Reject.
2023-001-004	2024-FBI-01-0859	Withdrawn by agency.
2023-001-004	2024-FBI-01-0860 through 2024-FBI-01-0877	Reject.

Authority: Pub. L. 115-426, 132 Stat. 5489 (44 U.S.C. 2107).

Dated: May 7, 2026.

Stephannie Oriabure,
Chief of Staff.

[FR Doc. 2026-09367 Filed 5-11-26; 8:45 am]

BILLING CODE 6820-SY-P

CIVIL RIGHTS COLD CASE RECORDS REVIEW BOARD

[Agency Docket Number: CRCCRRB-2026-0011-N]

Notice of Formal Determination on Records Release

AGENCY: Civil Rights Cold Case Records Review Board.

ACTION: Notice.

SUMMARY: The Civil Rights Cold Case Records Review Board received 1,142 pages of records from the National Archives and Records Administration (NARA) and the Federal Bureau of Investigation (FBI) related to a civil rights cold case incident to which the Review Board assigned the unique identifier 2023-001-006. The agencies proposed 227 postponements including postponements of sealed federal grand jury information in the records. After discussions with the Review Board, the FBI withdrew 111 proposed postponements. On April 10, 2026, the Review Board approved 95 postponements and portions of 7 additional postponements, and determined that 1,094 pages in full and 48 pages in part should be publicly disclosed in the Civil Rights Cold Case

Records Collection. The Review Board declined to request that the Attorney General petition the relevant court to unseal this information at this time though it may choose to do so in the future. By issuing this notice, the Review Board complies with the Civil Rights Cold Case Records Collection Act of 2018 that requires the Review Board to publish in the **Federal Register** its determinations on the disclosure or postponement of records in the Collection no more than 14 days after the date of its decision.

FOR FURTHER INFORMATION CONTACT: Stephannie Oriabure, Chief of Staff, Civil Rights Cold Case Records Review Board, 1800 F Street NW, Washington, DC 20405, (771) 221-0014, *info@coldcaserecords.gov*.

SUPPLEMENTARY INFORMATION:

Incident identifier	Postponement identifier	Review board decision
2023-001-006	2024-NARA-01-0387 and 2024-NARA-01-0388	Approve.
2023-001-006	2024-NARA-01-0389	Reject.
2023-001-006	2024-NARA-01-0390 through 2024-NARA-01-0416	Approve.
2023-001-006	2025-FBI-01-0001 through 2025-FBI-01-0007	Withdrawn by agency.
2023-001-006	2025-FBI-01-0008	Approve.
2023-001-006	2025-FBI-01-0009	Withdrawn by agency.
2023-001-006	2025-FBI-01-0010	Approve.
2023-001-006	2025-FBI-01-0011 through 2025-FBI-01-0047	Withdrawn by agency.
2023-001-006	2025-FBI-01-00048 and 2025-FBI-01-0049	Approve.
2023-001-006	2025-FBI-01-0050 through 2025-FBI-01-0099	Withdrawn by agency.
2023-001-006	2025-FBI-01-0100 through 2025-FBI-01-0102	Approve.
2023-001-006	2025-FBI-01-0103	Reject.
2023-001-006	2025-FBI-01-0104 through 2025-FBI-01-0107	Approve.
2023-001-006	2025-FBI-01-0108	Reject.
2023-001-006	2025-FBI-01-0109 and 2025-FBI-01-0110	Withdrawn by agency.
2023-001-006	2025-FBI-01-0111	Approve.
2023-001-006	2025-FBI-01-0112 and 2025-FBI-01-0113	Withdrawn by agency.
2023-001-006	2025-FBI-01-0114	Approve.
2023-001-006	2025-FBI-01-0115 and 2025-FBI-01-0116	Withdrawn by agency.
2023-001-006	2025-FBI-01-0117	Approve.
2023-001-006	2025-FBI-01-0118 through 2025-FBI-01-0120	Reject.
2023-001-006	2025-FBI-01-0121 through 2025-FBI-01-0129	Approve.
2023-001-006	2025-FBI-01-0130	Withdrawn by agency.
2023-001-006	2025-FBI-01-0131	Approve.
2023-001-006	2025-FBI-01-0132	Withdrawn by agency.
2023-001-006	2025-FBI-01-0133	Approve.
2023-001-006	2025-FBI-01-0134	Withdrawn by agency.
2023-001-006	2025-FBI-01-0135 through 2025-FBI-01-0139	Approve.
2023-001-006	2025-FBI-01-0140 and 2025-FBI-01-0141	Reject.
2023-001-006	2025-FBI-01-0142	Approve with changes.
2023-001-006	2025-FBI-01-0143	Withdrawn by agency.
2023-001-006	2025-FBI-01-0144	Reject.

Incident identifier	Postponement identifier	Review board decision
2023-001-006	2025-FBI-01-0145 and 2025-FBI-01-0146	Approve.
2023-001-006	2025-FBI-01-0147 through 2025-FBI-01-0149	Reject.
2023-001-006	2025-FBI-01-0150 through 2025-FBI-01-0155	Approve.
2023-001-006	2025-FBI-01-0156	Approve with changes.
2023-001-006	2025-FBI-01-0157 through 2025-FBI-01-0161	Approve.
2023-001-006	2025-FBI-01-0162	Withdrawn by agency.
2023-001-006	2025-FBI-01-0163 through 2025-FBI-01-0166	Approve.
2023-001-006	2025-FBI-01-0167	Approve with changes.
2023-001-006	2025-FBI-01-0168	Approve.
2023-001-006	2025-FBI-01-0169	Approve with changes.
2023-001-006	2025-FBI-01-0170 through 2025-FBI-01-0178	Approve.
2023-001-006	2025-FBI-01-0179	Reject.
2023-001-006	2025-FBI-01-0180	Approve.
2023-001-006	2025-FBI-01-0181	Approve with changes.
2023-001-006	2025-FBI-01-0182	Approve.
2023-001-006	2025-FBI-01-0183	Withdrawn by agency.
2023-001-006	2025-FBI-01-0184	Approve.
2023-001-006	2025-FBI-01-0185 and 2025-FBI-01-0186	Withdrawn by agency.
2023-001-006	2025-FBI-01-0187 and 2025-FBI-01-0188	Approve.
2023-001-006	2025-FBI-01-0189	Approve with changes.
2023-001-006	2025-FBI-01-0190	Reject.
2023-001-006	2025-FBI-01-0191	Approve.
2023-001-006	2025-FBI-01-0192	Withdrawn by agency.
2023-001-006	2025-FBI-01-0193	Approve.
2023-001-006	2025-FBI-01-0194	Approve with changes.
2023-001-006	2025-FBI-01-0195 and 2025-FBI-01-0196	Approve.
2023-001-006	2025-FBI-01-0197	Withdrawn by agency.
2023-001-006	2025-FBI-01-0198	Approve.

Dated: May 7, 2026.

Stephannie Oriabure,
Chief of Staff.

[FR Doc. 2026-09336 Filed 5-11-26; 8:45 am]

BILLING CODE 6820-SY-P

DEPARTMENT OF COMMERCE

International Trade Administration

Notice of Scope Rulings

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

DATES: Applicable May 12, 2026.

SUMMARY: The U.S. Department of Commerce (Commerce) hereby publishes a list of scope rulings made during the period January 1, 2026, through March 31, 2026. We intend to publish future lists after the close of the next calendar quarter.

FOR FURTHER INFORMATION CONTACT: Brenda E. Brown, AD/CVD Operations, Customs Liaison Unit, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue NW, Washington, DC 20230; telephone: 202-482-4735.

SUPPLEMENTARY INFORMATION:

Background

Commerce's regulations provide that it will publish in the **Federal Register**

a list of scope rulings on a quarterly basis.¹ Our most recent notification of scope rulings was published on March 13, 2026.² This current notice covers all scope rulings made by Enforcement and Compliance between January 1, 2026, and March 31, 2026.

Final Scope Rulings

India

A-533-881 and C-533-882: Large Diameter Welded Pipe From India

Requestor: Ratnamani Metals & Tubes, Ltd (Ratnamani). The merchandise covered by these orders is welded carbon and alloy steel line pipe (other than stainless steel pipe), more than 406.4 mm (16 inches) in nominal outside diameter (large diameter welded line pipe), regardless of wall thickness, length, surface finish, grade, end finish, or stenciling. Large diameter welded line pipe is used to transport oil, gas, or natural gas liquids and is normally produced to the American Petroleum Institute (API) specification 5L. Large diameter welded line pipe can be produced to comparable foreign specifications, grades and/or standards or to proprietary specifications, grades and/or standards, or can be non-graded material. Large diameter welded line pipe produced by Ratnamani with an

¹ See 19 CFR 351.225(o).

² See Notice of Scope Rulings, 91 FR 12342 (March 13, 2026).

outer diameter exceeding 16 inches and meeting the specifications for ASTM grades A671, A672, and A691 meets the physical description of subject merchandise and is therefore within the scope of the orders: February 23, 2026.

Mexico

A-201-859: Mattresses From Mexico

Requestor: Bob Barker Company Inc. (Bob Barker). The products covered by the Order are all types of youth and adult mattresses. The term "mattress" denotes an assembly of materials that at a minimum includes a "core," which provides the main support system of the mattress, and may consist of innersprings, foam, other resilient filling, or a combination of these materials. Commerce found that Bob Barker's product is a U.S.-origin mattress core that is not substantially transformed when assembled with a cover in Mexico. Therefore, because Bob Barker's product did not undergo substantial transformation in Mexico, we find that they have a country of origin of the United States and are outside of the scope of the order: March 10, 2026.

People's Republic of China (China)

A-570-967 and C-570-968: Aluminum Extrusions From China

Requestor: HTM MBS LLC. The wall standoffs and components thereof (wall

standoffs) imported by HTM MBS LLC (MBS) are covered by the scope of the antidumping duty and countervailing duty orders on aluminum extrusions from China because they are composed of 6xxx-series aluminum extrusion components that are fabricated through processes expressly included in the antidumping duty and countervailing duty orders (e.g., machining, threading, and anodizing): March 24, 2026.

A-570-129 and C-570-130: Certain Walk-Behind Lawn Mowers and Parts Thereof from China

Requestor: Daye North America, Inc. (DNA). DNA's walk-behind lawn mowers, assembled in Thailand using U.S.-origin engines and Chinese-origin cutting deck shells, as described, are excluded from the scope of the orders because the plain language of the scope requires that the engine and cutting deck shell be attached to one another in China, and that attachment of inquiry merchandise occurs in Thailand: January 29, 2026.

A-570-067 and C-570-068: Forged Steel Fittings From China

Requestor: AGS Company Automotive Solutions (AGS). Brake hose fittings imported by AGS are not covered by the scope of the antidumping and countervailing duty orders on forged steel fittings from China because the inquiry merchandise is substantially similar to previously excluded fittings used to convey noncorrosive fluid through a machine that powers pumps, motors, and engines, rather than corrosive materials: January 28, 2026.

Poland

A-455-807: Mattresses From Poland

Requestor: EBI, LLC (EBI). The scope of the order states that the term "mattress" denotes an assembly of materials that at a minimum includes a "core." The mattress covers imported by EBI do not contain a core consisting of "innersprings, foam, other resilient filling or a combination of these materials;" therefore, the mattress covers do not fall within scope of the order: January 28, 2026.

Notification to Interested Parties

Interested parties are invited to comment on the completeness of this list of completed scope inquiries. Any comments should be submitted to the Deputy Assistant Secretary for AD/CVD Operations, Enforcement and Compliance, International Trade Administration, via email to CommerceCLU@trade.gov.

This notice is published in accordance with 19 CFR 351.225(o).

Dated: May 6, 2026.

Scot Fullerton,

Acting Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations.

[FR Doc. 2026-09319 Filed 5-11-26; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-489-844]

Certain Aluminum Foil From the Republic of Türkiye: Preliminary Results and Rescission, in Part, of Antidumping Duty Administrative Review; 2023–2024

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

SUMMARY: The U.S. Department of Commerce (Commerce) preliminarily determines that certain producers/exporters subject to this administrative review made sales of subject merchandise at less than normal value (NV) during the period of review (POR) November 1, 2023, through October 31, 2024. In addition, we are rescinding the review, in part, with respect to one company. Interested parties are invited to comment on these preliminary results.

DATES: Applicable May 12, 2026.

FOR FURTHER INFORMATION CONTACT: Bryan Hansen, AD/CVD Operations, Office I, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue NW, Washington, DC 20230; telephone: (202) 482-3683.

SUPPLEMENTARY INFORMATION:

Background

On November 12, 2021, Commerce published in the *Federal Register* the antidumping duty order on certain aluminum foil (aluminum foil) from the Republic of Türkiye (Türkiye).¹ On November 1, 2024, we published in the *Federal Register* a notice of opportunity to request an administrative review of the *Order* for the POR.² On December 18, 2024, based on timely requests for an administrative review, Commerce initiated an administrative review of the

¹ See *Certain Aluminum Foil from the Republic of Armenia, Brazil, the Sultanate of Oman, the Russian Federation, and the Republic of Türkiye: Antidumping Duty Orders*, 86 FR 62790 (November 12, 2021) (*Order*).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review and Join Annual Inquiry Service List*, 89 FR 87338 (November 1, 2024).

Order with respect to three companies.³ On January 10, 2025, Commerce selected the Assan Single Entity⁴ and ASAS Alüminyum Sanayi Ve Ticaret A.Ş. (ASAS) as the mandatory respondents in this administrative review.⁵ On February 14, 2025, the Aluminum Association Trade Enforcement Working Group (the petitioners) and ASAS withdrew their review requests for ASAS.⁶ On April 8, 2025, Commerce selected Panda Alüminyum A.Ş. (Panda) as a replacement mandatory respondent in this administrative review.⁷

On September 26, 2025, Commerce extended the deadline to issue these preliminary results.⁸ Due to the lapse in appropriations and Federal Government shutdown, on November 14, 2025, Commerce tolled all deadlines in administrative proceedings by 47 days.⁹ Additionally, due to a backlog of documents that were electronically filed via Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS) during the Federal Government shutdown, on November 24, 2025, Commerce tolled all deadlines in administrative proceedings by an additional 21 days.¹⁰ Accordingly, the deadline for the preliminary results is now May 6, 2026.

For a complete description of the methodology in these preliminary

³ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 89 FR 102856, 102861 (December 18, 2024) (*Initiation Notice*). Three of these five companies comprise a single entity. See footnote 4, *infra*.

⁴ Commerce previously determined that Assan Alüminyum Sanayi ve Ticaret A.Ş., Kibar Dis Ticaret A.Ş., and Ispak Esnek Ambalaj Sanayi A.Ş., comprise the Assan Single Entity. See *Certain Aluminum Foil from the Republic of Türkiye: Final Affirmative Determination of Sales at Less Than Fair Value*, 86 FR 52880 n.10 (September 23, 2021); see also *Initiation Notice*, 89 FR at 102857 ("Commerce will not conduct collapsing analyses at the respondent selection phase of this review and will not collapse companies at the respondent selection phase unless there has been a determination to collapse certain companies in a previous segment of this {antidumping duty} proceeding (e.g., investigation, administrative review, new shipper review, or changed circumstances review).").

⁵ See Memorandum, "Respondent Selection," dated January 10, 2025.

⁶ See ASAS' Letter, "Withdrawal of Request for Administrative Review;" and the Petitioners Letter, "Petitioners' Partial Withdrawal of Request for Review," both dated February 14, 2025.

⁷ See Memorandum, "Selection of a Replacement Mandatory Respondent," dated April 8, 2025.

⁸ See Memorandum, "Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review; 2023–2024," dated September 26, 2025.

⁹ See Memorandum, "Deadlines Affected by the Shutdown of the Federal Government," dated November 14, 2025.

¹⁰ See Memorandum, "Tolling of all Case Deadlines," dated November 24, 2025.

results, *see* the Preliminary Decision Memorandum. A list of topics discussed in the Preliminary Decision Memorandum is attached in the appendix to this notice. The Preliminary Decision Memorandum is a public document and is made available to the public via ACCESS. ACCESS is available to registered users at <https://access.trade.gov>. In addition, a complete version of the Preliminary Decision Memorandum can be accessed directly at <https://access.trade.gov/frnotices>.

Scope of the Order

The merchandise covered by the Order is aluminum foil from Türkiye. For a complete description of the scope of this Order, *see* the Preliminary Decision Memorandum.

Rescission of Administrative Review, in Part

Pursuant to 19 CFR 351.213(d)(1), Commerce will rescind an administrative review, in whole or in part, if the parties that requested the review withdraw their review requests within 90 days of the date of publication of the notice of initiation for the requested review.¹¹ As noted above, Commerce received timely-filed withdrawal requests with respect to ASAS and no other parties requested an administrative review of ASAS. Therefore, Commerce is rescinding the administrative review with respect to ASAS in accordance with 19 CFR 351.213(d)(1).

Methodology

Commerce is conducting this review in accordance with sections 751(a)(1)(B) and (2) of the Tariff Act of 1930, as amended (the Act). We calculated export price and constructed export price and NV in accordance with sections 772 and 773 of the Act, respectively.

Preliminary Results of Review

As a result of this review, we preliminarily determine the following weighted-average dumping margins exist for the period November 1, 2023, through October 31, 2024:

Producer and/or exporter	Weighted-average dumping margin (percent)
Assan Aluminyum Sanayi ve Ticaret A.S., Kibar Dis Ticaret A.S., and Ispak Esnek Ambalaj Sanayi A.S. ¹²	1.84
Panda Alüminyum A.Ş	7.39

¹¹ See *Initiation Notice*, 89 FR at 102857.

Disclosure

We intend to disclose the calculations and analysis performed to interested parties for these preliminary results within five days of any public announcement or, if there is no public announcement, within five days after the date of publication of this notice in accordance with 19 CFR 351.224(b).

Verification

On March 21, 2025, the petitioner requested that Commerce conduct verification of respondents' responses.¹³ Accordingly, in August 2025, as provided in section 782(i)(3) of the Act, we verified the Assan Single Entity's information relied upon for the preliminary results of this review.¹⁴

Public Comment

Pursuant to 19 CFR 351.309(c)(1)(ii), interested parties may submit case briefs to Commerce no later than 21 days after the date of publication of this notice.¹⁵ Rebuttal briefs, limited to issues raised in the case briefs, may be filed not later than five days after the date for filing case briefs.¹⁶ Interested parties who submit case briefs or rebuttal briefs in this proceeding must submit: (1) a table of contents listing each issue; and (2) a table of authorities.¹⁷ All briefs must be filed electronically using ACCESS. An electronically filed document must be received successfully in its entirety in ACCESS by 5:00 p.m. Eastern Time on the established deadline.

As provided under 19 CFR 351.309(c)(2)(iii) and (d)(2)(iii), we request that interested parties provide at the beginning of their briefs a public executive summary for each issue raised in their briefs.¹⁸ Further, we request that interested parties limit their public executive summary of each issue to no more than 450 words, not including citations. We intend to use the public executive summaries as the basis of the comment summaries included in the issues and decision memorandum that

¹² This rate is assigned to the Assan Single Entity comprising Assan Aluminyum Sanayi ve Ticaret A.S., Kibar Dis Ticaret A.S., and Ispak Esnek Ambalaj Sanayi A.S. See footnote 4, *supra*.

¹³ See Petitioner's Letter, "Request for Verification," dated March 21, 2025.

¹⁴ See Memorandum, "Home-Market Sales Verification Report," dated September 3, 2025.

¹⁵ See also 19 CFR 351.303 (for general filing requirements).

¹⁶ See 19 CFR 351.309(d)(1); *see also Administrative Protective Order, Service, and Other Procedures in Antidumping and Countervailing Duty Proceedings*, 88 FR 67069, 67077 (September 29, 2023) (*APO and Service Final Rule*).

¹⁷ See 19 CFR 351.309(c)(2) and (d)(2).

¹⁸ We use the term "issue" here to describe an argument that Commerce would normally address in a comment of the Issues and Decision Memorandum.

will accompany the final results in this administrative review. We request that interested parties include footnotes for relevant citations in the public executive summary of each issue. Note that Commerce has amended certain of its requirements pertaining to the service of documents in 19 CFR 351.303(f).¹⁹

Pursuant to 19 CFR 351.310(c), interested parties who wish to request a hearing must submit a written request to the Assistant Secretary for Enforcement and Compliance, filed electronically via ACCESS by 5:00 p.m. Eastern Time within 30 days after the date of publication of this notice. Hearing requests should contain: (1) the party's name, address, and telephone number; (2) the number of participants and whether any participant is a foreign national; and (3) a list of issues to be discussed. Oral presentations at the hearing will be limited to issues raised in the case and rebuttal briefs. If a hearing request is made, Commerce will inform parties of the scheduled date for the hearing.²⁰

Assessment Rates

Pursuant to section 751(a)(2)(A) of the Act and 19 CFR 351.212(b)(1), Commerce will determine, and U.S. Customs and Border Protection (CBP) shall assess, antidumping duties on all appropriate entries of subject merchandise in accordance with the final results of this review.²¹

If an individually examined respondent's weighted-average dumping margin is not zero or *de minimis*, *i.e.*, less than 0.50 percent, in the final results of this review, Commerce intends to calculate importer-specific assessment rates on the basis of the ratio of the total amount of dumping calculated for each importer's examined sales and the total entered value of those sales. Where we do not have entered values for all U.S. sales to a particular importer, we will calculate an importer-specific, per-unit assessment rate on the basis of the ratio of the total amount of dumping calculated for the importer's examined sales to the total quantity of those sales.²² If the respondent's weighted-average dumping margin or an importer-specific *ad valorem* assessment rate is zero or *de minimis*, we will instruct CBP to liquidate appropriate entries without regard to antidumping duties.²³

¹⁹ See *APO and Service Final Rule*.

²⁰ See 19 CFR 351.310(d).

²¹ See 19 CFR 351.212(b)(1).

²² *Id.*

²³ See 19 CFR 351.106(c)(2).

In accordance with Commerce's "automatic assessment" practice, for entries of subject merchandise during the POR produced by the individually examined respondents for which they did not know that the merchandise was destined for the United States, we intend to instruct CBP to liquidate those entries at the all-others rate calculated in the investigation if there is no rate for the intermediate company(ies) involved in the transaction.²⁴

For ASAS, for which this review is being rescinded, Commerce will instruct CBP to assess antidumping duties on all appropriate entries. Antidumping duties shall be assessed at rates equal to the cash deposit rate for estimated antidumping duties required at the time of entry, or withdrawal from warehouse, for consumption, in accordance with 19 CFR 351.212(c)(1)(i). Commerce intends to issue rescission instructions to CBP no earlier than 35 days after the date of publication of this notice in the **Federal Register**.

Commerce intends to issue assessment instructions to CBP regarding the individually examined respondents no earlier than 35 days after the date of publication of the final results of this review in the **Federal Register**. If a timely summons is filed at the U.S. Court of International Trade, the assessment instructions will direct CBP not to liquidate relevant entries until the time for parties to file a request for a statutory injunction has expired, *i.e.*, within 90 days of publication.

Cash Deposit Requirements

The following deposit requirements will be effective for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date of the final results of this administrative review, as provided by section 751(a)(2)(C) of the Act: (1) the cash deposit rate for the companies listed above will be that established in the final results of this review, except if the rate is less than 0.50 percent and, therefore, *de minimis* within the meaning of 19 CFR 351.106(c)(1), in which case the cash deposit rate will be zero; (2) for previously investigated or reviewed companies not covered by this review, the cash deposit rate will continue to be the company-specific cash deposit rate published for the most recently completed segment of this proceeding in which the company participated; (3) if the exporter is not a

firm covered in this review, or the investigation, but the manufacturer is, then the cash deposit rate will be the rate established for the most recent segment for the manufacturer of the merchandise; and (4) the cash deposit rate for all other producers or exporters will continue to be 1.95 percent, the all-others rate established in the investigation, adjusted for the export-subsidy rate in the companion countervailing duty investigation.²⁵ These cash deposit requirements, when imposed, shall remain in effect until further notice.

Final Results of Review

Unless otherwise extended, Commerce intends to issue the final results of this administrative review, including the results of its analysis of issues raised in written briefs, no later than 120 days after the date of publication of this notice in the **Federal Register**, pursuant to section 751(a)(3)(A) of the Act and 19 CFR 351.213(h)(1).

Notification to Importers

This notice serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f)(2) to file a certificate regarding the reimbursement of antidumping and/or countervailing duties prior to liquidation of the relevant entries during this POR. Failure to comply with this requirement could result in Commerce's presumption that reimbursement of antidumping and/or countervailing duties occurred and the subsequent assessment of double antidumping duties, and/or an increase in the amount of antidumping duties by the amount of countervailing duties.

Notification to Interested Parties

We are issuing and publishing these preliminary results in accordance with sections 751(a)(1) and 777(i)(1) of the Act, and 19 CFR 351.213(d)(1), 19 CFR 351.213(h)(2), and 19 CFR 351.221(b)(4).

Dated: May 6, 2026.

Christopher Abbott,

Deputy Assistant Secretary for Policy and Negotiations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance.

Appendix

List of Topics Discussed in the Preliminary Decision Memorandum

- I. Summary
- II. Background
- III. Scope of the Order
- IV. Verification
- V. Discussion of the Methodology

VI. Currency Conversion

VII. Recommendation

[FR Doc. 2026–09320 Filed 5–11–26; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–201–844]

Steel Concrete Reinforcing Bar From Mexico: Preliminary Results and Rescission, in Part, of Antidumping Duty Administrative Review; 2023–2024

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

SUMMARY: The U.S. Department of Commerce (Commerce) preliminarily finds that Deacero S.A.P.I. de C.V. (Deacero) and I.N.G.E.T.E.K.N.O.S. Estructurales, S.A. de C.V. (Ingetek) (collectively, Deacero Group) sold steel concrete reinforcing bar (rebar) from Mexico at less than normal value during the period of review (POR), November 1, 2023, through October 31, 2024. In addition, we are rescinding the review with respect to three companies. We invite interested parties to comment on these preliminary results.

DATES: Applicable May 12, 2026.

FOR FURTHER INFORMATION CONTACT: Kate Fracke, AD/CVD Operations, Office III, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue NW, Washington, DC 20230; telephone: (202) 482–3299.

SUPPLEMENTARY INFORMATION:

Background

On November 6, 2014, Commerce published in the **Federal Register** the antidumping duty (AD) order on rebar from Mexico.¹ On November 1, 2024, we published in the **Federal Register** a notice of opportunity to request an administrative review of the Order.² On December 18, 2024, pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), Commerce initiated an administrative review of the Order covering four companies.³

¹ See *Steel Concrete Reinforcing Bar from Mexico: Antidumping Duty Order*, 79 FR 65925 (November 6, 2014) (Order).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review and Join Annual Inquiry Service List*, 89 FR 87338 (November 1, 2024).

³ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 89 FR 102856 (December 18, 2024) (Initiation Notice).

²⁴ For a full discussion of this practice, see *Antidumping and Countervailing Duty Proceedings: Assessment of Antidumping Duties*, 68 FR 23954 (May 6, 2003).

²⁵ See Order, 86 FR at 62792.

On December 9, 2024, Commerce tolled the deadline to issue the preliminary results in administrative reviews for which the opportunity to request the review was published in November or December 2024, by 90 days.⁴ The opportunity notice to request this administrative review was published on November 1, 2024.⁵ On September 22, 2025, we extended the deadline for these preliminary results by 119 days.⁶ Due to the lapse in appropriations and Federal Government shutdown, on November 14, 2025, Commerce tolled all deadlines in administrative proceedings by 47 days.⁷ Additionally, due to a backlog of documents that were electronically filed via Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS) during the Federal Government shutdown, on November 24, 2025, Commerce tolled all deadlines in administrative proceedings by an additional 21 days.⁸ Accordingly, the deadline for these preliminary results is now May 6, 2026.

For a complete description of the events that followed the initiation of this review, *see* the Preliminary Decision Memorandum.⁹ A list of topics discussed in the Preliminary Decision Memorandum is attached as Appendix I to this notice. The Preliminary Decision Memorandum is a public document and is on file electronically via ACCESS. ACCESS is available to registered users at <https://access.trade.gov>. In addition, a complete version of the Preliminary Decision Memorandum can be accessed directly at <https://access.trade.gov/frnotices>.

Scope of the Order

The product covered by this *Order* is rebar from Mexico. For a full description of the scope of the *Order*, *see* the Preliminary Decision Memorandum.

⁴ See Memorandum, “Tolling of Deadlines for Antidumping and Countervailing Duty Proceedings,” dated December 9, 2024.
⁵ See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review and Join Annual Inquiry Service List*, 89 FR 87338 (November 1, 2024).
⁶ See Memorandum, “Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review,” dated September 22, 2025.
⁷ See Memorandum, “Deadlines Affected by the Shutdown of the Federal Government,” dated November 14, 2025.
⁸ See Memorandum, “Tolling of all Case Deadlines,” dated November 24, 2025.
⁹ See Memorandum, “Decision Memorandum for the Preliminary Results of the Administrative Review of the Antidumping Duty Order: Steel Concrete Reinforcing Bar from Mexico; 2023–2024,” dated concurrently with, and hereby adopted by, this notice (Preliminary Decision Memorandum).

Rescission of Review, In Part

As noted above, we initiated this review with respect to four companies.¹⁰ During the course of the review, we selected one mandatory respondent, which included one of the named companies.¹¹ As a consequence, there are three companies upon which the review was requested and which were not selected for individual examination.

Pursuant to 19 CFR 351.213(d)(3), Commerce will rescind an administrative review when there are no reviewable suspended entries. Based on our analysis of U.S. Customs and Border Protection (CBP) information, three companies listed in the *Initiation Notice* had no entries of subject merchandise during the POR, for all of which no withdrawal requests were submitted. On September 26, 2025, we notified parties of our intent to rescind this administrative review with respect to the three companies that had no reviewable suspended entries during the POR.¹² No party to the proceeding provided comments on our Intent to Rescind Memorandum. As a result, we are rescinding this review, in part, with respect to the three companies which had no entries during the POR.¹³ Accordingly, the companies that remain

¹⁰ See *Initiation Notice*, 89 FR at 102860. Commerce previously found Deacero S.A.P.I. de C.V. and I.N.G.E.T.E.K.N.O.S. Estructurales, S.A. de C.V. to be affiliated, and we continue to treat them as a single entity (collectively, Deacero Group). See *Steel Concrete Reinforcing Bar from Mexico: Final Results of Antidumping Duty Administrative Review; 2020–2021*, 88 FR 37849 (June 9, 2023) (*Rebar from Mexico AR 2020–2021 Final*), and accompanying Issues and Decision Memorandum (IDM) at Comment 3. Therefore, they were listed together in the *Initiation Notice*. Separately, Commerce has previously collapsed Grupo Simec S.A.B. de C.V.; Aceros Especiales Simec Tlaxcala, S.A. de C.V.; Fundiciones de Acero Estructurales, S.A. de C.V.; Grupo Chant, S.A.P.I. de C.V.; Operadora de Perfiles Sigosa, S.A. de C.V.; Orge S.A. de C.V.; Perfiles Comerciales Sigosa, S.A. de C.V.; Siderurgicos Noroeste, S.A. de C.V.; Simec International 6 S.A. de C.V.; Simec International 7, S.A. de C.V.; and Simec International, S.A. de C.V. into the single entity “Grupo Simec.” Therefore, they were listed together in the *Initiation Notice*. See *Rebar from Mexico AR 2020–2021 Final* IDM at Comment 3; *see also Steel Concrete Reinforcing Bar from Mexico: Preliminary Results of Antidumping Duty Administrative Review; 2016–2017*, 83 FR 63622 (December 11, 2018), and accompanying memorandum, “Affiliation and Collapsing Memorandum for the Grupo Simec,” dated December 3, 2018, unchanged in *Steel Concrete Reinforcing Bar from Mexico: Final Results of the Antidumping Duty Administrative Review; 2016–2017*, 84 FR 35599 (July 24, 2019).

¹¹ See Memorandum, “Respondent Selection,” dated January 27, 2025.
¹² See Memorandum, “Notice of Intent to Rescind Review, In Part,” dated September 26, 2025 (Intent to Rescind Memorandum).
¹³ See Appendix II.

subject to the instant review are Deacero Group.

Methodology

Commerce is conducting this review in accordance with section 751(a)(1)(B) of the Act. Export price was calculated in accordance with section 772 of the Act. Normal value was calculated in accordance with section 773 of the Act. For a full description of the methodology underlying our conclusions, *see* the Preliminary Decision Memorandum.

Preliminary Results of Review

As a result of this review, we preliminarily determine the following estimated weighted-average dumping margin exists for the period November 1, 2023, through October 31, 2024:

Producer/exporter	Weighted-average dumping margin (percent)
Deacero S.A.P.I. de C.V./ I.N.G.E.T.E.K.N.O.S. Estructurales S.A. ¹⁴ ..	8.45

Disclosure

Commerce intends to disclose its calculations and analysis performed to interested parties in these preliminary results within five days of any public announcement or, if there is no public announcement, within five days of the date of publication of this notice in the **Federal Register**, in accordance with 19 CFR 351.224(b).

Verification

Pursuant to 19 CFR 351.307(b)(1)(iv), Commerce intends to verify the questionnaire responses submitted by Deacero Group, because we find that good cause for verification exists.

Public Comment

Interested parties may submit case briefs no later than seven days after the date on which the last verification report is issued in this administrative review.¹⁵ Rebuttal briefs, limited to issues raised in the case briefs, may be filed no later than five days after the date for filing case briefs.¹⁶ Interested parties who submit case briefs or

¹⁴ There is a third company that has been collapsed into Deacero Group. See *Steel Concrete Reinforcing Bar from Mexico: Final Results of Antidumping Duty Administrative Review; 2021–2022*, 89 FR 40467 (May 10, 2024), and accompanying IDM at Comment 5.
¹⁵ See 19 CFR 351.309(c)(1)(ii)
¹⁶ See 19 CFR 351.309(d); *see also Administrative Protective Order, Service, and Other Procedures in Antidumping and Countervailing Duty Proceedings*, 88 FR 67069, 67077 (September 29, 2023) (*APO and Service Procedures*).

rebuttal briefs in this proceeding must submit: (1) a table of contents listing each issue; and, (2) a table of authorities.¹⁷

As provided under 19 CFR 351.309(c)(2)(iii) and (d)(2)(iii), we request that interested parties provide at the beginning of their briefs a public, executive summary for each issue raised in their briefs.¹⁸ Further, we request that interested parties limit their public executive summary of each issue to no more than 450 words, not including citations. We intend to use the public executive summaries as the basis of the comment summaries included in the issues and decision memorandum that will accompany the final results in this administrative review. We request that interested parties include footnotes for relevant citations in the public executive summary of each issue. Note that Commerce has amended certain of its requirements pertaining to the service of documents in 19 CFR 351.303(f).¹⁹

Pursuant to 19 CFR 351.310(c), interested parties who wish to request a hearing must submit a written request to the Assistant Secretary for Enforcement and Compliance, filed electronically via ACCESS. Requests should contain: (1) the party's name, address, and telephone number; (2) the number of participants and whether any participant is a foreign national; and (3) a list of issues to be discussed. Issues raised in the hearing will be limited to those raised in the respective briefs. If a request for a hearing is made, parties will be notified of the time and date for the hearing.²⁰ Parties should confirm by telephone the date, time, and location of the hearing two days before the scheduled date.

All submissions, including case and rebuttal briefs, as well as hearing requests, must be filed via ACCESS.²¹ An electronically filed document must be received successfully in its entirety in ACCESS by 5:00 p.m. Eastern Time on the established deadline. Note that Commerce has amended certain of its requirements pertaining to the service of documents in 19 CFR 351.303(f).²²

Assessment Rates

Pursuant to section 751(a)(2)(A) of the Act, upon issuance of the final results, Commerce shall determine, and CBP

shall assess, antidumping duties on all appropriate entries covered by this review. If a respondent's weighted-average dumping margin is above *de minimis* (i.e., 0.50 percent) in the final results of this review, we will calculate importer-specific *ad valorem* AD assessment rates based on the ratio of the total amount of dumping calculated for the importer's examined sales to the total entered value of those same sales in accordance with 19 CFR 351.212(b)(1).²³ If a respondent has not reported entered values, we will calculate a per-unit assessment rate for each importer by dividing the total amount of dumping calculated for the examined sales made to that importer by the total quantity associated with those sales. We will instruct CBP to assess antidumping duties on all appropriate entries covered by this review when the importer-specific assessment rate calculated in the final results of this review is above *de minimis* (i.e., 0.50 percent). Where either a respondent's weighted-average dumping margin is zero or *de minimis*, or an importer-specific assessment rate is zero or *de minimis*, we will instruct CBP to liquidate the appropriate entries without regard to antidumping duties.

In accordance with Commerce's "automatic assessment" practice, for entries of subject merchandise during the POR produced by the respondents for which they did not know that the merchandise was destined for the United States, we will instruct CBP to liquidate entries not reviewed at the all-others rate if there is no rate for the intermediate company(ies) involved in the transaction.

The final results of this review shall be the basis for the assessment of antidumping duties on entries of merchandise covered by this review and for future deposits of estimated duties, where applicable.²⁴ Commerce intends to issue assessment instructions to CBP no earlier than 41 days after the date of publication of the final results of this review in the **Federal Register**, in accordance with 19 CFR 356.8(a).

For the companies for which the administrative review is rescinded, antidumping duties shall be assessed at a rate equal to the cash deposit of estimated antidumping duties required at the time of entry, or withdrawal from warehouse, for consumption, in

accordance with 19 CFR

351.212(c)(1)(i). Commerce intends to issue assessment instructions for the companies listed in Appendix II of this notice to CBP no earlier than 41 days after the date of publication of this notice in the **Federal Register**, in accordance with 19 CFR 356.8(a).

Cash Deposit Requirements

The following cash deposit requirements will be effective upon publication of the notice of the final results of the administrative review for all shipments of rebar from Mexico entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results, as provided by section 751(a)(2) of the Act: (1) the cash deposit rate for each company listed above will be equal to the dumping margins established in the final results of this review, except if the ultimate rate is *de minimis* within the meaning of 19 CFR 351.106(c)(1), in which case the cash deposit rates will be zero; (2) for merchandise exported by producers or exporters not covered in this administrative review but covered in a prior segment of the proceeding, the cash deposit rate will continue to be the company-specific rate published for the most recently completed segment of this proceeding in which the producer or exporter participated; (3) if the exporter is not a firm covered in this review, a prior review, or the original less-than-fair-value (LTFV) investigation but the producer is, then the cash deposit rate will be the rate established for the most recently completed segment of the proceeding for the producer of the merchandise; and (4) the cash deposit rate for all other producers or exporters will continue to be 20.58 percent, the all-others rate established in the LTFV investigation.²⁵ These cash deposit requirements, when imposed, shall remain in effect until further notice.

Final Results of Review

Unless the deadline is extended pursuant to section 751(a)(3)(A) of the Act and 19 CFR 351.213(h)(2), Commerce will issue the final results of this administrative review, including the results of our analysis of the issues raised by the parties in their case briefs, not later than 120 days after the date of publication of this notice, pursuant to section 751(a)(3)(A) of the Act.

Notification to Importers

This notice also serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f)(2) to file a certificate

¹⁷ See 19 CFR 351.309(c)(2) and (d)(2).

¹⁸ We use the term "issue" here to describe an argument that Commerce would normally address in a comment of the Issues and Decision Memorandum.

¹⁹ See *APO and Service Procedures*.

²⁰ See 19 CFR 351.310(d).

²¹ See 19 CFR 351.303.

²² See *APO and Service Final Rule*.

²³ In these preliminary results, Commerce applied the assessment rate calculation method adopted in *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Proceedings; Final Modification*, 77 FR 8101 (February 14, 2012).

²⁴ See section 751(a)(2)(C) of the Act.

²⁵ See *Order*, 79 FR at 65926.

regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in Commerce’s presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

Notification to Interested Parties

We are issuing and publishing these preliminary results in accordance with sections 751(a)(1) and 777(i)(1) of the Act, 19 CFR 351.213(h)(2), and 19 CFR 351.221(b)(4).

Dated: May 6, 2026.
Christopher Abbott,
Deputy Assistant Secretary for Policy and Negotiations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance.

Appendix I

- List of Topics Discussed in the Preliminary Decision Memorandum
- I. Summary
 - II. Background
 - III. Scope of the Order
 - IV. Rescission of Review, In Part
 - V. Affiliation and Single Entity Treatment
 - VI. Discussion of Methodology
 - VII. Currency Conversion
 - VIII. Recommendation

Appendix II

Companies Rescinded from Administrative Review

- 1. Grupo Acerero S.A. de C.V.
- 2. Grupo Simec S.A.B. de C.V.; Aceros Especiales Simec Tlaxcala, S.A. de C.V.; Compania Siderurgica del Pacifico S.A. de C.V.; Fundiciones de Acero Estructurales, S.A. de C.V.; Grupo Chant, S.A.P.I. de C.V.; Operadora de Perfiles Sigosa, S.A. de C.V.; Orge S.A. de C.V.; Perfiles Comerciales Sigosa, S.A. de C.V.; RRLC S.A.P.I. de C.V.; Siderugica del Occidente y Pacifico S.A. de C.V.; Siderurgicos Noroeste, S.A. de C.V.; Simec International, S.A. de C.V.; Simec International 6 S.A. de C.V.; Simec International 7, S.A. de C.V.; Simec International 9 S.A. de C.V.
- 3. Sidertul S.A. de C.V.

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DEPARTMENT OF COMMERCE

International Trade Administration

[A–583–853]

Certain Crystalline Silicon Photovoltaic Products From Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2024–2025

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

SUMMARY: The U.S. Department of Commerce (Commerce) preliminarily determines that certain crystalline silicon photovoltaic products (solar products) from Taiwan were not made at less than normal value (NV) during the period of review (POR) February 1, 2024, through January 31, 2025. Interested parties are invited to comment on these preliminary results.

DATES: Applicable May 12, 2026.

FOR FURTHER INFORMATION CONTACT: Thomas Martin, AD/CVD Operations, Office IV, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue NW, Washington, DC 20230; telephone: (202) 482–3936.

SUPPLEMENTARY INFORMATION:

Background

On February 18, 2015, Commerce published in the **Federal Register** the antidumping duty (AD) order on solar products from Taiwan.¹ On February 3, 2025, Commerce published in the **Federal Register** a notice of opportunity to request an administrative review of the *Order* for the POR.² On March 28, 2025, based on timely requests for review, in accordance with 19 CFR 351.221(c)(1)(i), we initiated an administrative review of the *Order*.³ On May 8, 2025, Commerce selected EEPV Corp. (EEPV) as the sole mandatory respondent in this administrative review.⁴

Due to the lapse in appropriations and Federal Government shutdown, on November 14, 2025, Commerce tolled all deadlines in administrative proceedings by 47 days.⁵ Additionally, due to a backlog of documents that were electronically filed via Enforcement and Compliance’s Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS) during the Federal Government shutdown, on November 24, 2025, Commerce tolled all deadlines in administrative proceedings by an additional 21 days.⁶ On January 5, 2026, we extended the preliminary results of

¹ See *Certain Crystalline Silicon Photovoltaic Products from Taiwan: Antidumping Duty Order*, 80 FR 8596 (February 18, 2015) (*Order*).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review and Join Annual Inquiry Service List*, 90 FR 8785 (February 3, 2025).

³ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 90 FR 14081, 14084 (March 28, 2025).

⁴ See Memorandum, “Respondent Selection,” dated May 8, 2025.

⁵ See Memorandum, “Tolling of Deadlines for Antidumping and Countervailing Duty Proceedings,” dated November 14, 2025.

⁶ See Memorandum, “Tolling of all Case Deadlines,” dated November 24, 2025.

this review by an additional 113 days.⁷ Finally, on April 30, 2026, we extended the preliminary results of this review by an additional seven days.⁸ The deadline for issuing the preliminary results is now May 7, 2026.

For a complete description of the events that followed the initiation of this review, see the Preliminary Decision Memorandum.⁹ The Preliminary Decision Memorandum is a public document and is on file electronically via ACCESS. ACCESS is available to registered users at <https://access.trade.gov>. In addition, a complete version of the Preliminary Decision Memorandum can be accessed directly at <https://access.trade.gov/frnotices>.

Scope of the Order

The merchandise subject to the *Order* is solar products from Taiwan. For a complete description of the scope of the *Order*, see the Preliminary Decision Memorandum.

Methodology

Commerce is conducting this review in accordance with sections 751(a)(1)(B) and (2) of the Tariff Act of 1930, as amended (the Act). Export price and constructed export price are calculated in accordance with section 772 of the Act. NV is calculated in accordance with section 773 of the Act. For a full description of the methodology underlying our conclusions, see the Preliminary Decision Memorandum. A list of the topics discussed in the Preliminary Decision Memorandum is attached as Appendix I to this notice.

Preliminary Results of the Review

As a result of this review, we preliminarily determine the following estimated weighted-average dumping margin for the period of February 1, 2024, through January 31, 2025:

Producer or exporter	Weighted-average dumping margin (percent)
EEPV Corp	0.00

⁷ See Memorandum, “Extension of Deadline for Preliminary Results of 2024–2025 Antidumping Duty Administrative Review,” dated January 5, 2026.

⁸ See Memorandum, “Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review,” dated April 30, 2026.

⁹ See Memorandum, “Decision Memorandum for the Preliminary Results of the Administrative Review of the Antidumping Duty Order on Certain Crystalline Silicon Photovoltaic Products from Taiwan; 2024–2025,” dated concurrently with, and hereby adopted by, this notice (Preliminary Decision Memorandum).

Disclosure

Commerce intends to disclose the calculations performed for these preliminary results to interested parties within five days of any public announcement or, if there is no public announcement, within five days of the date of publication of this notice in accordance with 19 CFR 351.224(b).

Public Comment

Pursuant to 19 CFR 351.309(c), interested parties may submit case briefs to Commerce no later than 21 days after the date of the publication of this notice. Rebuttal briefs, limited to issues raised in the case briefs, may be filed not later than five days after the date for filing case briefs.¹⁰ Interested parties who submit case briefs or rebuttal briefs in this proceeding must submit: (1) a table of contents listing each issue; and (2) a table of authorities.¹¹ All briefs must be filed electronically using ACCESS. An electronically filed document must be received successfully in its entirety in ACCESS by 5:00 p.m. Eastern Time on the established deadline.

As provided under 19 CFR 351.309(c)(2)(iii) and (d)(2)(iii), we request that interested parties provide, at the beginning of their briefs, a public executive summary for each issue raised in their briefs.¹² Further, we request that interested parties limit their public executive summary of each issue to no more than 450 words, not including citations. We intend to use the public executive summaries as the basis of the comment summaries included in the issues and decision memorandum that will accompany the final results in this administrative review. We request that interested parties include footnotes for relevant citations in the public executive summary of each issue. Note that Commerce has amended certain of its requirements pertaining to the service of documents in 19 CFR 351.303(f).¹³

Pursuant to 19 CFR 351.310(c), interested parties who wish to request a hearing must submit a written request to the Assistant Secretary for Enforcement and Compliance, filed electronically via ACCESS, within 30 days after the date of publication of this notice. Hearing requests should contain (1) the party's name, address, and telephone number;

(2) the number of participants and whether any participant is a foreign national; and (3) a list of the issues to be discussed. Oral presentations at the hearing will be limited to issues raised in the briefs. If a request for a hearing is made, Commerce will inform parties of the time and date for the hearing.¹⁴ Parties should confirm by telephone the date, time, and location of the hearing two days before the scheduled date.

Assessment Rates

Pursuant to section 751(a)(2)(A) of the Act and 19 CFR 351.212(b)(1), Commerce shall determine, and U.S. Customs and Border Protection (CBP) shall assess, antidumping duties on all appropriate entries of subject merchandise covered by this review.¹⁵ If the weighted-average dumping margin for an individually examined respondent is not zero or *de minimis* (i.e., less than 0.50 percent) in the final results of this review, we will calculate importer-specific *ad valorem* assessment rates on the basis of the ratio of the total amount of dumping calculated for each importer's examined sales and the total entered value of such sales in accordance with 19 CFR 351.212(b)(1).¹⁶ For any individually examined respondent whose weighted-average dumping margin is zero or *de minimis* in the final results of review, or if an importer-specific assessment rate is zero or *de minimis*, Commerce will instruct CBP to liquidate appropriate entries without regard to antidumping duties.¹⁷

Commerce's "automatic assessment" practice will apply to entries of subject merchandise during the POR produced by EEPV for which the reviewed companies did not know that the merchandise they sold to the intermediary (i.e., a reseller, trading company, or exporter) was destined for the United States.¹⁸ In such instances, we will instruct CBP to liquidate unreviewed entries at the all-others rate if there is no rate for the intermediate company(ies) involved in the transaction.¹⁹ For EEPV in accordance with section 751(a)(2)(C) of the Act, the final results of this review shall be the basis for the assessment of antidumping

duties on entries of merchandise covered by the final results of this review and for future cash deposits of estimated antidumping duties, where applicable. Commerce intends to issue assessment instructions to CBP no earlier than 35 days after the date of publication of the final results of this review in the **Federal Register**. If a timely summons is filed at the U.S. Court of International Trade, the assessment instructions will direct CBP not to liquidate relevant entries until the time for parties to file a request for a statutory injunction has expired (i.e., within 90 days of publication).

Cash Deposit Requirements

The following deposit requirements will be effective upon publication in the **Federal Register** of final results of this administrative review for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication, as provided by section 751(a)(2)(C) of the Act: (1) the cash deposit rate for the companies listed above will be equal to the weighted-average dumping margin established in the final results of this administrative review, except if the rate is less than 0.50 percent and, therefore, *de minimis* within the meaning of 19 CFR 351.106(c)(1), in which case the cash deposit rate will be zero; (2) for previously investigated or reviewed companies not covered in this review, the cash deposit rate will continue to be the company-specific cash deposit rate published for the most recently completed segment of this proceeding in which the company participated; (3) if the exporter is not a firm covered in this review, a prior review, or the less than fair value (LTFV) investigation, but the manufacturer is, then the cash deposit rate will be the rate established for the most recent segment for the manufacturer of the merchandise; and (4) the cash deposit rate for all other manufacturers or exporters will continue to be 19.50 percent, the all-others rate established in the LTFV investigation.²⁰ These deposit requirements, when imposed, shall remain in effect until further notice.

Final Results of Review

Unless otherwise extended, Commerce intends to issue the final results of this administrative review, including the results of its analysis of the issues raised in any written briefs, no later than 120 days after the date of publication of this notice in the **Federal Register**, pursuant to section

¹⁰ See 19 CFR 351.309(d); see also *Administrative Protective Order, Service, and Other Procedures in Antidumping and Countervailing Duty Proceedings*, 88 FR 67069, 67077 (September 29, 2023).

¹¹ See 19 CFR 351.309(c)(2) and (d)(2).

¹² We use the term "issue" here to describe an argument that Commerce would normally address in a comment of the Issues and Decision Memorandum.

¹³ See *APO and Service Final Rule*.

¹⁴ See 19 CFR 351.310(d).

¹⁵ See 19 CFR 351.212(b)(1).

¹⁶ See *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Proceedings: Final Modification*, 77 FR 8101, 8103 (February 14, 2012).

¹⁷ *Id.*, 77 FR at 8102–03; see also 19 CFR 351.106(c)(2).

¹⁸ See *Antidumping and Countervailing Duty Proceedings: Assessment of Antidumping Duties*, 68 FR 23954 (May 6, 2003).

¹⁹ See *Order*.

²⁰ See *Order*.

751(a)(3)(A) of the Act and 19 CFR 351.213(h)(1).

Notification to Importers

This notice also serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f)(2) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in Commerce's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

Notification to Interested Parties

These preliminary results of review are issued and published in accordance with sections 751(a)(1) and 777(i)(1) of the Act, and 19 CFR 351.221(b)(4).

Dated: May 6, 2026.

Christopher Abbott,

Deputy Assistant Secretary for Policy and Negotiations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance.

Appendix I

List of Topics Discussed in the Preliminary Decision Memorandum

- I. Summary
- II. Background
- III. Scope of the Order
- IV. Discussion of the Methodology
- V. Currency Conversion
- VI. Recommendation

[FR Doc. 2026-09322 Filed 5-11-26; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

Agency Information Collection Activities; Submission to the Office of Management and Budget (OMB) for Review and Approval; Comment Request; Parts Tariff Offset Program for Motor Vehicles and Motor Vehicle Parts

The Department of Commerce will submit the following information collection request to the Office of Management and Budget (OMB) for review and clearance in accordance with the Paperwork Reduction Act of 1995, on or after the date of publication of this notice. We invite the general public and other Federal agencies to comment on proposed, and continuing information collections, which helps us assess the impact of our information collection requirements and minimize the public's reporting burden. Public comments were previously requested

via the **Federal Register** on November 26, 2025, during a 60-day comment period. This notice allows for an additional 30 days for public comments.

Agency: International Trade Administration, Commerce.

Title: Parts Tariff Offset Program for Motor Vehicles and Motor Vehicle Parts.
OMB Control Number: 0625-0283.

Form Number(s): None.

Type of Request: Regular submission, extension with a revision of a current information collection.

Number of Respondents: 30.

Average Hours per Response: 40 hours.

Burden Hours: 2,400.

Needs and Uses: On March 26, 2025, the President issued Proclamation 10908 (90 FR 14705), "Adjusting Imports of Automobiles and Automobile Parts Into the United States," (Proclamation 10908) finding that imports of motor vehicles and certain motor vehicle parts continue to threaten to impair the national security of the United States and imposing specified tariffs to adjust imports of motor vehicles and certain motor vehicles parts so that such imports will not threaten to impair national security pursuant to Section 232 of the Trade Expansion Act of 1962 ("Section 232"). Section 232 authorizes the President to adjust the imports of an article and its derivatives that are being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security of the United States so that such imports will not threaten to impair national security. Proclamation 10908 imposed a 25 percent tariff on certain imports of motor vehicles, effective April 3, 2025, and certain imports of motor vehicle parts, effective May 3, 2025.

On April 29, 2025, the President issued Proclamation 10925 (90 FR 18899), which allowed for motor vehicle manufacturers assembling motor vehicles in the United States to apply for an import adjustment offset amount, which would offset certain tariff liability under Proclamation 10908 on imports of motor vehicle parts. Proclamation 10925 required that within 30 days of the date of the order the Secretary of the Department of Commerce (Commerce) shall establish a process by which motor vehicle manufacturers could submit documentation supporting eligibility and a claim for an import adjustment offset amount.

On June 13, 2025, the International Trade Administration published a Notice titled "Procedures To Administer Import Adjustment Offset Amounts for Certain Imports of Automobile Parts

Under Proclamation 10908, as Amended" (90 FR 25027), which established procedures for motor vehicle manufacturers to apply for and use the import adjustment offset amount established by Presidential Proclamation 10925 of April 29, 2025 (90 FR 18899), "Amendments to Adjusting Imports of Automobiles and Automobile Parts Into the United States" (Proclamation 10925) to incentivize domestic motor vehicle production and reduce American reliance on imports of foreign motor vehicles and their parts.

Proclamation 10984 of October 17, 2025, "Adjusting Imports of Medium- and Heavy Duty Vehicles, Medium- and Heavy-Duty Vehicle Parts, and Buses Into the United States," (Proclamation 10984) took similar action to address the threat imports of Medium- and Heavy-Duty Vehicles (MHDV) and Medium- and Heavy-Duty Vehicle Parts (MHDVPs) pose to the national security of the United States; that Proclamation also amended the offset rules established by Proclamation 10925.

Through this Offset Program motor vehicle manufacturers with final production in the United States have the opportunity to submit documentation to request an import adjustment offset amount for motor vehicles and motor vehicle parts, which include automobiles, medium- and heavy-duty vehicles, buses, and their parts. The import adjustment offset may only be used by importers of record authorized by that manufacturer, and the amount may only be used to offset tariff liability related to that manufacturer's motor vehicle parts tariff liability under Proclamation 10908 or Proclamation 10984 and any future related Proclamations.

Affected Public: Business or other for-profit organizations.

Frequency: Twice annually.

Respondent's Obligation: Voluntary.

Legal Authority: Proclamation 10908 or Proclamation 10984.

This information collection request may be viewed at www.reginfo.gov. Follow the instructions to view the Department of Commerce collections currently under review by OMB.

Written comments and recommendations for the proposed information collection should be submitted within 30 days of the publication of this notice on the following website www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting "Currently under 30-day Review—Open for Public Comments" or by using the search function and

entering either the title of the collection or the OMB Control Number 0625–0283.

Sheleen Dumas,

Departmental PRA Compliance Officer, Office of the Under Secretary for Economic Affairs, Commerce Department.

[FR Doc. 2026–09318 Filed 5–11–26; 8:45 am]

BILLING CODE 3510–DR–P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[RTID 0648–XF712]

Determination of Overfishing or an Overfished Condition

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice.

SUMMARY: This action serves as a notice that NMFS has found that Atlantic white marlin and roundscale spearfish continue to be overfished; the Pribilof Island blue king crab stock continues to be overfished; and the Bering Sea snow crab is now overfished.

FOR FURTHER INFORMATION CONTACT: Karen E. Greene, (301) 427–8558.

SUPPLEMENTARY INFORMATION: Pursuant to section 304(e)(2) of the Magnuson-Stevens Fishery Conservation and Management Act, 16 U.S.C. 1854(e)(2), NMFS, must notify councils, and publish a notice in the **Federal Register**, whenever it determines that a stock or stock complex is subject to overfishing, overfished, or approaching an overfished condition.

NMFS has determined that Atlantic white marlin and roundscale spearfish, both of which are assessed and managed together, continue to be overfished. This determination is based on the most recent assessment, completed in 2025 using data through 2023, that found the spawning stock biomass is less than the minimum stock size threshold (MSST), which supports the determination that the stocks remain overfished. NMFS continues to work with the International Commission for the Conservation of Atlantic Tunas to rebuild these stocks through its international rebuilding program.

NMFS has determined that the Pribilof Island blue king crab stock continues to be overfished. This determination is based on the most recent assessment, completed in 2025 using data from 2024, that found the mature male biomass is less than the MSST, which supports the

determination that the stock remains overfished.

NMFS has determined that the Bering Sea snow crab stock is again overfished (it was previously determined to be overfished in 2022; 88 FR 14349, March 8, 2023). This determination is based on the most recent assessment, completed in 2025 using data through 2025, that found the mature male biomass is less than the MSST, which supports a determination that the stock is overfished.

NMFS continues to work with the North Pacific Fishery Management Council to rebuild both of these crab stocks.

Dated: May 7, 2026.

Kelly Denit,

Director, Office of Sustainable Fisheries, National Marine Fisheries Service.

[FR Doc. 2026–09371 Filed 5–11–26; 8:45 am]

BILLING CODE 3510–22–P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

Notice of Availability of a Draft Management Plan and Draft Environmental Assessment for the Olympic Coast National Marine Sanctuary; Request for Public Comment

AGENCY: Office of National Marine Sanctuaries, National Ocean Service, National Oceanic and Atmospheric Administration, Department of Commerce.

ACTION: Notice of availability; request for comments.

SUMMARY: The National Oceanic and Atmospheric Administration (NOAA) has prepared a draft management plan (DMP) as part of the Olympic Coast National Marine Sanctuary (OCNMS or sanctuary) management plan review. The DMP, which replaces a 2011 sanctuary management plan, was developed to evaluate substantive progress toward implementing the goals of the sanctuary, and to make revisions to the management plan as necessary to fulfill the purposes and policies of the National Marine Sanctuaries Act. NOAA also prepared a draft environmental assessment (DEA), which evaluates the environmental impacts of implementing the DMP, and ongoing field activities. NOAA is soliciting public comments on the DMP and DEA at this time.

DATES: Written comments should be received on or before 11:59 p.m. Eastern Daylight Time on July 13, 2026.

ADDRESSES: Copies of the DMP and DEA along with additional background materials are available at <https://olympiccoast.noaa.gov/management/mpr>.

You may submit comments on the DMP and DEA by any of the following methods:

Electronic Submission: Federal eRulemaking Portal: <https://www.regulations.gov>. Submit electronic comments via the Federal eRulemaking Portal and search for Docket Number NOAA–NOS–2023–0003.

Mail: Written comments may also be mailed to Olympic Coast National Marine Sanctuary (Management Plan Review), 115 Railroad Ave. East, Suite 301, Port Angeles, WA 98362.

Instructions: All comments received are a part of the public record, and the entirety of the comment, including the name of the commenter, email address, attachments, and other supporting materials, will be publicly accessible. Do not submit confidential business information or otherwise sensitive or protected information such as account numbers or Social Security numbers. NOAA will accept anonymous comments through [regulations.gov](https://www.regulations.gov) (enter N/A in the required fields to remain anonymous).

FOR FURTHER INFORMATION CONTACT: Hélène Scalliet, Deputy Superintendent, Olympic Coast National Marine Sanctuary, Olympic Coast National Marine Sanctuary, 115 Railroad Ave. East, Suite 301, Port Angeles, WA 98362, or see <https://olympiccoast.noaa.gov/management/mpr>.

SUPPLEMENTARY INFORMATION:

I. Background

Olympic Coast National Marine Sanctuary was designated in July 1994. It spans 3,188 square miles of marine waters off the rugged coast of the Olympic Peninsula, covering much of the continental shelf and the heads of several major submarine canyons, with seasonal upwelling that supports locally abundant marine life and seasonal populations of marine mammals and seabirds. Along its shores are thriving kelp and intertidal communities, teeming with fishes and other sea life. In the darkness of the seafloor, scattered communities of deep-sea coral and sponges form habitats for fish and other marine wildlife.

In addition to important ecological resources, the Olympic Coast has a rich cultural and historical legacy. The sanctuary is located within the boundaries of the legally defined usual and accustomed (U&A) fishing areas of

four coastal tribes with reserved treaty rights. These rights were reserved by the tribes via treaties that the United States Government signed with the Makah Tribe under the 1855 Treaty of Neah Bay and the Hoh Tribe, Quileute Tribe, and Quinault Indian Nation under the 1856 Treaty of Olympia, long before OCNMS was designated. The vibrant contemporary communities of these sovereign nations, often referred to as the Coastal Treaty Tribes, have forged inseparable ties to the ocean environment, maintaining traditions of the past while navigating the challenges of the present and future.

The current OCNMS management plan was published in 2011, and is available online at <https://olympiccoast.noaa.gov/management/2011-plan/>. To inform the OCNMS management plan review, NOAA published an updated OCNMS Condition Report in March 2022. The Condition Report assessed the period from 2008–2019 and presented summary information describing the status and trends of sanctuary resources, covering the broad categories of human activities and pressures, water quality, habitat, living resources, and maritime heritage resources. This report also included the status and trends of ecosystem services—the ways humans derive benefits from different ecosystem attributes that they care about for their lives and livelihoods. The report is available online at <https://nmssanctuaries.blob.core.windows.net/sanctuaries-prod/media/docs/2008-2019-ocnms-condition-report.pdf>.

II. Management Plan Review

The purpose of this management plan review is to fulfill the purposes and policies outlined in Section 301(b) of the National Marine Sanctuaries Act (NMSA; 16 U.S.C. 1431(b)) to protect and manage the resources of the sanctuary. As required by Section 304(e) of the NMSA (16 U.S.C. 1434(e)), a management plan review enables NOAA to evaluate the substantive progress toward implementing the sanctuary's existing management plan and the goals for the sanctuary and to revise the sanctuary's management plan and regulations as necessary to fulfill the purposes and policies of the NMSA.

A revised sanctuary management plan enables NOAA's Office of National Marine Sanctuaries (ONMS) to adjust the allocation of time and resources to focus on new priority issues, partnerships, technologies and opportunities that have emerged since the existing sanctuary management plan was published. A revised management plan also prioritizes use of collaborative

and community-based approaches to pursuing sanctuary goals, supported by a variety of partnerships with Federal and state government agencies, tribal governments and communities, the Intergovernmental Policy Council (IPC), scientific entities, non-governmental organizations, and sanctuary volunteers and advisory council members. Additionally, a revised management plan would allow NOAA to better articulate its efforts to respond to key findings of the Condition Report, to implement new tools to safeguard cultural and maritime heritage resources, and to explore innovative management practices to respond to emerging issues in OCNMS, such as changing ocean conditions.

Proposed updates to the OCNMS management plan are based on ONMS evaluation, input from the advisory council and from the IPC on the current management plan, analysis of comments received during public scoping, and findings from the latest OCNMS condition report. Consistent with the information provided in the 2023 Notice of Intent (88 FR 6236, Jan. 31, 2023), NOAA is not proposing modifications to the sanctuary regulations at this time. Through the public scoping process, NOAA received 37 electronic submissions to [regulations.gov](https://www.regulations.gov) (with 3 additional attachments), 4 mailed letters, 1 email submission, and 82 comments at public scoping meetings held in February 2023, for a total of 127 total public scoping comments. A summary of the public scoping comments is provided in Appendix F of the DEA, which is available at <https://olympiccoast.noaa.gov/management/mpr>.

III. Action Plans

NOAA is proposing to implement a revised management plan that describes the goals, strategies, and activities intended to help conserve and promote the resources in the sanctuary. The proposed management plan consists of 15 action plans organized under four priority themes:

Priority Theme A: Achieve Effective Collaborative and Coordinated Management

- *Collaborative and Coordinated Sanctuary Management Action Plan:* Improved communication, greater collaboration and stronger relationships between ONMS and other agencies and governments with jurisdiction over resources in the sanctuary.

- *Community Involvement in Sanctuary Management Action Plan:* Increased involvement of Olympic Peninsula communities in sanctuary

management issues and ocean conservation.

- *Sanctuary Operations Action Plan:* Improved efficiency and effectiveness in OCNMS management capacities and capabilities.

Priority Theme B: Conduct Collaborative Research, Assessments, and Monitoring To Support Management of Resources in the Sanctuary

- *Ocean Conditions Action Plan:* Sustain and enhance ocean observations collected on the Olympic Coast to track change over time, and apply ocean data in support of ecosystem-based management efforts.

- *Habitats and Marine Species Action Plan:* Continue to map and characterize seafloor habitats in the sanctuary and track the status and trends of key habitats and selected marine communities over time in order to elucidate relationships among ecosystem components and support ecosystem-based management.

- *Data Management and Application Action Plan:* Maintain, manage, and archive data resources to protect them from loss, to ensure their availability for use in sanctuary management, to share sanctuary data with the public, and to support related research efforts, including social science, led by partners.

- *Complementary Research Action Plan:* Work with Coastal Treaty Tribes and research partners from other fields and disciplines to foster additional appropriate research and deepen our collective understanding of the Olympic Coast.

Priority Theme C: Improve Ocean Literacy: Education and Outreach

- *Education Action Plan:* Provide and support educational opportunities for teachers and students of all ages in communities adjacent to the sanctuary that lead to greater understanding of ocean literacy, knowledge of national marine sanctuaries and ocean conservation, and increased likelihood of lifelong stewardship behavior.

- *Outreach Action Plan:* Increase understanding of the value and importance of the sanctuary and public support for the sanctuary through continued community and visitor involvement in events and other opportunities.

Priority Theme D: Conserve Resources in the Sanctuary

- *Cultural Heritage Action Plan:* Respectfully honor, celebrate, and protect the unique cultural heritage connected to the sanctuary through meaningful collaboration and

partnership with the Coastal Treaty Tribes.

- *Resilience Action Plan:* Investigate and improve sanctuary understanding and resilience to changing ocean conditions through research and monitoring, capacity building, collaborative partnerships, and education and outreach.

- *Spills Prevention, Preparedness, Response and Restoration Action Plan:* Increase protection of resources and habitats within OCNMS from the impacts of an oil or hazardous materials spill. Improve preparedness and coordination for responding to spills affecting marine resources within OCNMS.

- *Marine Debris Action Plan:* Increase identification and removal of abandoned submerged and floating marine debris. Reduce environmental and aesthetic impacts of debris on coastal beaches.

- *Resource Protection Action Plan:* Minimize disturbance to wildlife in the sanctuary, improve water quality to ensure protection of natural resources in the sanctuary, mitigate human-caused degradation of marine habitats, and further understand introduced species and minimize their presence and impacts.

- *Maritime Heritage Action Plan:* Improve understanding of the maritime resources in the sanctuary region and improved communication and partnership between ONMS, the Washington State Historic Preservation Office, the Makah Tribal Historic Preservation Office, the Hoh Tribal Historic Preservation Office, the Quinalt Tribal Preservation Office, the Quileute Tribe's cultural resource management representatives, and other maritime heritage partners.

IV. Environmental Compliance and Federal Consultations

In accordance with the National Environmental Policy Act (NEPA; 42 U.S.C. 4321 *et seq.*, as amended) and NOAA's Policy and Procedures for Compliance with the National Environmental Policy Act and Related Authorities: Companion Manual for NOAA Administrative Order 216-6A (June 30, 2025), NOAA has prepared a DEA to evaluate the potential impacts on the human environment of implementing NOAA's proposed action. The proposed action is to update NOAA's management activities conducted within OCNMS that relate to research, monitoring, education, outreach, community engagement, and resource protection. The proposed management activities include implementing routine field activities

and existing sanctuary regulations. No significant impacts to resources and the human environment are expected to result from this proposed action. Accordingly, under NEPA, an EA is the appropriate document to analyze the potential impacts of this action. Following the close of the public comment period and the satisfaction of consultation requirements under any applicable natural and cultural resource statutes, NOAA will finalize the EA and determine if a Finding of No Significant Impact is appropriate, or if an Environmental Impact Statement must be prepared.

In addition to NEPA, NOAA must comply with several related statutes and executive orders. The DEA contains information to support effect determinations under the Endangered Species Act; Migratory Bird Treaty Act; Marine Mammal Protection Act; Essential Fish Habitat provisions of the Magnuson-Stevens Fishery Conservation and Management Act; National Historic Preservation Act; Coastal Zone Management Act; and Executive Order 13175 on Consultation and Coordination with Indian Tribal Governments. Appendix D of the DEA includes additional documentation related to these compliance requirements and consultation processes. In addition, consistent with the policies and principles of Executive Order 14313 of July 3, 2025, NOAA aims to prioritize responsible conservation, restore our lands and waters, and protect our Nation's outdoor heritage for the enjoyment of the American people.

NOAA is seeking public comment on the DMP and DEA, which are available at <https://olympiccoast.noaa.gov/management/mpa> or may be obtained by contacting the individual listed under the heading **FOR FURTHER INFORMATION CONTACT**.

(Authority: 16 U.S.C. 1431 *et seq.*; 42 U.S.C. 4321 *et seq.*)

John Armor,

Director, Office of National Marine Sanctuaries, National Ocean Service, National Oceanic and Atmospheric Administration.

[FR Doc. 2026-09372 Filed 5-11-26; 8:45 am]

BILLING CODE 3510-NK-P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[RTID 0648-XF700]

Implementation of Fish and Fish Product Import Provisions of the Marine Mammal Protection Action—Notification of Comparability Findings

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice of comparability finding determinations for swimming crab fisheries in Vietnam, Indonesia, Sri Lanka, and the Philippines.

SUMMARY: Under the authority of the Marine Mammal Protection Act (MMPA), NMFS announces comparability finding determinations for the swimming crab fisheries of Vietnam, Indonesia, Sri Lanka, and the Philippines. NMFS bases the comparability findings on documentary evidence submitted by the governments of these countries and interested parties as well as other relevant, readily available information.

DATES: These comparability findings are valid and in effect from May 12, 2026 through December 31, 2029, or for such other period as NMFS may specify.

FOR FURTHER INFORMATION CONTACT: Mi Ae Kim, Office of International Affairs, Trade, and Commerce, NMFS, 301-427-8365, mmfa.loff@noaa.gov.

SUPPLEMENTARY INFORMATION: The MMPA requires the United States to ban the importation of commercial fish or fish products that have been caught with commercial fishing technology which results in the incidental kill or incidental serious injury of ocean mammals in excess of U.S. standards (16 U.S.C. 1371(a)(2)). For the purposes of applying this import ban, the Secretary of Commerce shall insist on reasonable proof from the government of any nation from which fish or fish products will be exported to the United States of the effects on ocean mammals of the commercial fishing technology in use for such fish or fish products exported from such nation to the United States (16 U.S.C. 1371(a)(2)(A)).

On September 2, 2025, NMFS announced its 2025 MMPA comparability finding determinations for 135 nations covering approximately 2,500 fisheries seeking to export fish and fish products to the United States (90 FR 42395). As part of its findings, NMFS concluded that the swimming crab fisheries in Vietnam, Indonesia, Sri

Lanka, and the Philippines were not comparable in effectiveness to the U.S. regulatory program and imposed an import ban on swimming crab fish and fish products effective January 1, 2026. A lawsuit was filed by the National Fisheries Institute and others challenging NMFS' findings. The parties ultimately executed a settlement agreement and filed a joint stipulation of dismissal, whereby NMFS agreed to consult with the harvesting nations, permit them to provide additional information related to the swimming crab fisheries subject to the lawsuit, review any new information provided by the harvesting nations, and reconsider its prior decisions and issue new comparability findings for the harvesting nations' swimming crab fisheries on or before May 11, 2026. (*National Fisheries Institute et al. v. United States et al.*, Case No. 1:25-cv-00223).

NMFS consulted with Vietnam, Indonesia, Sri Lanka, and the Philippines and permitted each nation to submit additional information pertaining to the five swimming crab fisheries identified in the *National Fisheries Institute et al. v. NMFS et al.* lawsuit. In some cases, the harvesting nations provided more detailed descriptions of information previously provided for the comparability finding applications, or in other cases, they provided evidence indicating that new laws, regulations, or initiatives related to the swimming crab fisheries and marine mammal interactions were enacted after the September 2025 comparability findings determinations. NMFS engaged directly with each nation to request additional details and clarification concerning the information provided. NMFS also received information from industry associations and non-governmental organizations and considered all of the information provided. NMFS also conducted its own research to ensure it had the most recent and best available data to inform its analyses.

NMFS took into account the four nations' current efforts and programs to address the problem of marine mammal bycatch in their respective swimming crab fisheries, the practical challenges of doing so and any improvements they may have made to their regulatory programs since the September 2025 denial of comparability findings. Additionally, in January 2026, Vietnam divided Fishery ID 2988 into four individual swimming crab fisheries based on target species and gear type. The red and blue swimming crab fisheries, previously under Fishery ID 2988 are now identified as: Fishery ID

13164 (blue swimming crab, bottom gillnet gear); Fishery ID 13206 (blue swimming crab, pots/traps gear); Fishery ID 13204 (red swimming crab, bottom gillnet gear); and Fishery ID 13205 (red swimming crab, pots/traps gear).

NMFS has, based on its review of all of the available information, determined that the swimming crab fisheries in Vietnam (Fishery IDs 13164, 13206, 13204, and 13205), Indonesia (Fishery ID 12391), and Sri Lanka (Fishery ID 2705) are comparable in effectiveness to the U.S. regulatory program, and determined that the swimming crab fisheries in the Philippines (Fishery IDs 2129 and 2130) remain not comparable in effectiveness to the U.S. regulatory program.

All of the other comparability finding determinations for Vietnam, Indonesia, Sri Lanka, and Philippines identified in the September 2, 2025, **Federal Register** notification and accompanying reports for these nations' fisheries are unaffected by NMFS' reconsideration of the Export fisheries identified in this notification and remain valid.

NMFS announces the issuance of comparability findings, which allows the continued importation into the United States of fish and fish products harvested by swimming crab fisheries in Vietnam (Fishery IDs 13164, 13206, 13204, and 13205), Indonesia (Fishery ID 12391), and Sri Lanka (Fishery ID 2705). Fish and fish products harvested in the swimming crab fisheries in the Philippines (Fishery IDs 2129 and 2130) may no longer be imported into the United States as of June 11, 2026.

A more detailed analysis of NMFS' comparability findings for the swimming crab fisheries is contained in NMFS' Decision Memorandum dated April 8, 2026. Links to the Decision Memorandum and detailed analysis of NMFS' comparability findings for Vietnam, Indonesia, Sri Lanka, and the Philippines can be found at: <https://www.fisheries.noaa.gov/international-affairs/2025-marine-mammal-protection-act-comparability-finding-determinations>.

Dated: May 7, 2026.

Samuel D. Rauch III,

Deputy Assistant Administrator for Regulatory Programs, National Marine Fisheries Service.

[FR Doc. 2026-09429 Filed 5-11-26; 8:45 am]

BILLING CODE 3510-22-P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[RTID 0648-XF757]

Pacific Fishery Management Council; Public Meeting

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice of public meeting.

SUMMARY: The Pacific Fishery Management Council (Pacific Council) will convene an online meeting of its Advisory Bodies to discuss the Pacific Council's Special Project 2: Decision Making for Stronger Fishing Communities; this meeting is open to the public.

DATES: The online meeting will be held on Friday, June 5, 2026, from 8:30 a.m. to 10:30 a.m. Pacific Time, or until business for the day is completed.

ADDRESSES: This meeting will be held online. Specific meeting information, including directions on how to join the meeting and system requirements, will be provided in the meeting announcement on the Pacific Council's website (see www.pcouncil.org). You may send an email to Mr. Hayden York (Hayden.York@pcouncil.org) or contact him at (503) 820-2424 for technical assistance.

Council address: Pacific Fishery Management Council, 7700 NE Ambassador Place, Suite 101, Portland, OR 97220-1384.

FOR FURTHER INFORMATION CONTACT: Gilly Lyons, Staff Officer, Pacific Council; telephone: (503) 820-2427.

SUPPLEMENTARY INFORMATION: The Pacific Council will hold an online meeting of its Advisory Bodies to receive a briefing on and review materials related to Special Project 2: Decision Making for Stronger Fishing Communities, which will be on the Pacific Council's agenda at its June 10-15, 2026, meeting. Special Project 2 is focused on improving the Pacific Council's ability to measure and understand the impacts of its decisions on fishing community resilience. No management actions will be decided at this meeting, but recommendations may be brought forward for consideration by the Pacific Council at the June meeting. A detailed meeting agenda will be available on the Pacific Council's website prior to the meeting.

Although non-emergency issues not contained in the meeting agenda may be discussed, those issues may not be the

subject of formal action during this meeting. Action will be restricted to those issues specifically listed in this document and any issues arising after publication of this document that require emergency action under section 305(c) of the Magnuson-Stevens Fishery Conservation and Management Act, provided the public has been notified of the intent to take final action to address the emergency.

Special Accommodations

Requests for sign language interpretation or other auxiliary aids should be directed to Mr. Hayden York (Hayden.York@pcouncil.org; (503) 820-2424) at least 10 days prior to the meeting date.

Authority: 16 U.S.C. 1801 *et seq.*

Dated: May 7, 2026.

Key Israel Marquez,

Acting Deputy Director, Office of Sustainable Fisheries, National Marine Fisheries Service.

[FR Doc. 2026-09316 Filed 5-11-26; 8:45 am]

BILLING CODE 3510-22-P

DEPARTMENT OF EDUCATION

[Docket No.: ED-2026-SCC-1552]

Agency Information Collection Activities; Comment Request; Build America, Buy America Act (BABAA) Domestic Sourcing Requirements Waiver—United States Department of Education BABAA Waiver Request Form

AGENCY: Office of the Secretary (OS), Department of Education (ED).

ACTION: Notice.

SUMMARY: In accordance with the Paperwork Reduction Act (PRA) of 1995, the Department is proposing a reinstatement without change of a previously approved information collection request (ICR).

DATES: Interested persons are invited to submit comments on or before July 13, 2026.

ADDRESSES: To access and review all the documents related to the information collection listed in this notice, please use <http://www.regulations.gov> by searching the Docket ID number ED-2026-SCC-1552. Comments submitted in response to this notice should be submitted electronically through the Federal eRulemaking Portal at <http://www.regulations.gov> by selecting the Docket ID number or via postal mail, commercial delivery, or hand delivery. If the www.regulations.gov site is not available to the public for any reason, the Department will temporarily accept comments at ICDocketMgr@ed.gov.

Please include the docket ID number and the title of the information collection request when requesting documents or submitting comments. Please note that comments submitted after the comment period will not be accepted. Written requests for information or comments submitted by postal mail or delivery should be addressed to the Grant Policy Office, U.S. Department of Education, 400 Maryland Ave. SW, LBJ, Room 4B274, Washington, DC 20202.

FOR FURTHER INFORMATION CONTACT: For specific questions related to collection activities, please contact John English, john.english@ed.gov.

SUPPLEMENTARY INFORMATION: The Department, in accordance with the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3506(c)(2)(A)), provides the general public and Federal agencies with an opportunity to comment on proposed, revised, and continuing collections of information. This helps the Department assess the impact of its information collection requirements and minimize the public's reporting burden. It also helps the public understand the Department's information collection requirements and provide the requested data in the desired format. The Department is soliciting comments on the proposed information collection request (ICR) that is described below. The Department is especially interested in public comment addressing the following issues: (1) is this collection necessary to the proper functions of the Department; (2) will this information be processed and used in a timely manner; (3) is the estimate of burden accurate; (4) how might the Department enhance the quality, utility, and clarity of the information to be collected; and (5) how might the Department minimize the burden of this collection on the respondents, including through the use of information technology. Please note that written comments received in response to this notice will be considered public records.

Title of Collection: Build America, Buy America Act (BABAA) Domestic Sourcing Requirements Waiver—United States Department of Education BABAA Waiver Request Form.

OMB Control Number: 1894-0018.

Type of Review: A reinstatement without change of a previously approved ICR.

Respondents/Affected Public: State, Local, and Tribal Governments; Private Sector.

Total Estimated Number of Annual Responses: 47.

Total Estimated Number of Annual Burden Hours: 470.

Abstract: In accordance with section 70914 of the Build America Buy America Act (Pub. L. 117-58 §§ 70901-70953) (BABAA), grantees funded under Department of Education (the Department) programs that allow funds to be used for infrastructure projects (infrastructure programs), *i.e.*, construction and broadband infrastructure, may not use their grant funds for these infrastructure projects or activities unless they comply with the following BABAA sourcing requirements: (1) All iron and steel used in the infrastructure project or activity are produced in the United States, (2) All manufactured products used in the infrastructure project or activity are produced in the United States, and (3) All construction materials are manufactured in the United States.

The Department may, in accordance with sections 70914(b) and (d), 70921(b), 70935, and 70937 of BABAA, and the Office of Management and Budget Memorandum M 22-11, Initial Implementation Guidance on Application of Buy America Preference in Federal Financial Assistance Programs for Infrastructure, approve waivers to BABAA sourcing requirements submitted by grantees under programs it has identified as infrastructure programs when it determines that exceptions to these requirements apply. The Department may approve, subject to notice and comment requirements and the Office of Management and Budget Made in America Office (MIAO) review, the types of waivers listed below when one or more of the following conditions are met: (1) Public Interest Waiver—Applying the BABAA sourcing requirement would be inconsistent with the public interest, (2) Non-availability Waiver—The types of iron, steel, manufactured products, or construction materials are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality, and (3) Unreasonable Cost Waiver—The inclusion of iron, steel, manufactured products, or construction materials produced in the United States will increase the cost of the overall project by more than 25 percent.

Ross Santy,

Chief Data Officer, Office of Planning, Evaluation and Policy Development.

[FR Doc. 2026-09374 Filed 5-11-26; 8:45 am]

BILLING CODE 4000-01-P

DEPARTMENT OF EDUCATION**[Docket No.: ED–2026–SCC–1651]****Agency Information Collection Activities; Comment Request; Borrower Defense to Loan Repayment Universal Forms****AGENCY:** Federal Student Aid (FSA), Department of Education (ED).**ACTION:** Notice.

SUMMARY: In accordance with the Paperwork Reduction Act (PRA) of 1995, the Department is proposing an extension without change of a currently approved information collection request (ICR).

DATES: Interested persons are invited to submit comments on or before July 13, 2026.

ADDRESSES: To access and review all the documents related to the information collection listed in this notice, please use <http://www.regulations.gov> by searching the Docket ID number ED–2026–SCC–1651. Comments submitted in response to this notice should be submitted electronically through the Federal eRulemaking Portal at <http://www.regulations.gov> by selecting the Docket ID number or via postal mail, commercial delivery, or hand delivery. If the www.regulations.gov site is not available to the public for any reason, the Department will temporarily accept comments at ICDocketMgr@ed.gov. Please include the docket ID number and the title of the information collection request when requesting documents or submitting comments. Please note that comments submitted after the comment period will not be accepted. Written requests for information or comments submitted by postal mail or delivery should be addressed to Carolyn Rose, U.S. Department of Education, Federal Student Aid, 400 Maryland Avenue SW, Washington, DC 20202–1200.

FOR FURTHER INFORMATION CONTACT: For specific questions related to collection activities, please contact Carolyn Rose, (202) 453–5967.

SUPPLEMENTARY INFORMATION: The Department, in accordance with the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3506(c)(2)(A)), provides the general public and Federal agencies with an opportunity to comment on proposed, revised, and continuing collections of information. This helps the Department assess the impact of its information collection requirements and minimize the public's reporting burden. It also helps the public understand the Department's information collection requirements and provide the requested

data in the desired format. The Department is soliciting comments on the proposed information collection request (ICR) that is described below. The Department is especially interested in public comment addressing the following issues: (1) is this collection necessary to the proper functions of the Department; (2) will this information be processed and used in a timely manner; (3) is the estimate of burden accurate; (4) how might the Department enhance the quality, utility, and clarity of the information to be collected; and (5) how might the Department minimize the burden of this collection on the respondents, including through the use of information technology. Please note that written comments received in response to this notice will be considered public records.

Title of Collection: Borrower Defense to Loan Repayment Universal Forms.

OMB Control Number: 1845–0163.

Type of Review: Extension without change of a currently approved ICR.

Respondents/Affected Public: Individuals or Households.

Total Estimated Number of Annual Responses: 83,750.

Total Estimated Number of Annual Burden Hours: 217,750.

Abstract: This is a request for a renewal without change of 1845–0163 Borrower Defense to Loan Repayment Universal Forms. The Department uses the information provided on the Universal Borrower Defense Application and Request for Reconsideration forms to determine eligibility for a borrower defense discharge.

Ross Santy,

Chief Data Officer, Office of Planning, Evaluation and Policy Development.

[FR Doc. 2026–09442 Filed 5–11–26; 8:45 am]

BILLING CODE 4000–01–P

DEPARTMENT OF EDUCATION**Notice Announcing Career Pathways Exploration Program Competition**

AGENCY: Department of Education, Department of Labor.

ACTION: Notice.

SUMMARY: The Employment and Training Administration at the U.S. Department of Labor (DOL) is soliciting applications in support of the administration of the Fiscal Year (FY) 2026 Career Pathways Exploration (CPE) program, Assistance Listing Number 84.424, on behalf of the U.S. Department of Education (ED).

DATES: Complete proposals must be submitted electronically through the *Grants.gov* “APPLY” function by

11:59:59 p.m. Eastern Time June 9, 2026.

FOR FURTHER INFORMATION CONTACT: Ivonne Jaime. Telephone: (202) 987–1702. Email: CareerPathways@ed.gov.

SUPPLEMENTARY INFORMATION: The Career Pathways Exploration (CPE) program provides competitive grants to States to build their capacity to integrate career exploration into statewide career pathways and workforce readiness programs. The CPE program will help ensure access to opportunities that expose students to real-life workforce realities through a variety of career pathways programs that are aligned with State priorities.

The FY 2026 competition includes two absolute priorities, one competitive preference priority, selection criteria, and requirements. The absolute priorities are: (1) Career Pathways and Workforce Readiness—Career Pathways Exploration and (2) Career Pathways and Workforce Readiness—Workforce Readiness. The competitive preference priority is: (1) Talent Marketplaces. *Maximum Award:* \$3,000,000 per year.

Eligible Applicants: Eligible applicants for this program are States (as defined in 20 U.S.C. 7801(48)). The governor must either apply, or identify, designate, or endorse one of the following entities to apply for this program:

- (a) State educational agencies (as defined in 20 U.S.C. 7801(49)),
- (b) State workforce development agencies,
- (c) State vocational rehabilitation agencies, or
- (d) Consortia of these entities, including the governor, as a group application under 34 CFR 75.127–129.

Note: Only one application per State may be submitted to this grant competition. If an entity other than the governor is the applicant, the application must contain a signed letter from the governor identifying, designating, or endorsing the application on behalf of the State. *Program Authority:* 20 U.S.C. 7113(a)(3).

To Apply: The complete funding opportunity announcement and all information needed to apply, including the priorities, selection criteria, and requirements, are available on ED's website at <https://www.ed.gov/grants-and-programs/grants-birth-grade-12/school-and-community-improvement-grants/career-pathways-exploration-grant-program-84424j>, on DOL's website at <https://www.dol.gov/agencies/eta/grants/apply/find-opportunities>, and on *Grants.gov* at <https://www.grants.gov/>

search-results-detail/362311. The application notice and instructions on *Grants.gov* is the official document governing the grant competition.

Accessible Format: On request to the program contact person listed under **FOR FURTHER INFORMATION CONTACT**, individuals with disabilities can obtain this document in an accessible format.

Note: Henry Maklakiewicz signs this notice in furtherance of DOL's role in providing support to ED.

Kirsten Baesler,

Assistant Secretary, Office of Elementary and Secondary Education.

In concurrence,

Henry Maklakiewicz,

Assistant Secretary for Employment and Training, Department of Labor.

[FR Doc. 2026-09440 Filed 5-11-26; 8:45 am]

BILLING CODE 4000-01-P

DEPARTMENT OF EDUCATION

Accrediting Agency Currently Undergoing Review for the Purpose of Recognition by the U.S. Secretary of Education

AGENCY: Office of Postsecondary Education, U.S. Department of Education.

ACTION: Call for written third-party comments.

SUMMARY: This notice provides information to members of the public on submitting written comments for an accrediting agency currently undergoing review for the purpose of recognition by the Secretary of Education.

DATES: Comments must be received on or before 14 days from publication of this notice in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT: Elizabeth Daggett, Director, Accreditation Group, Office of Postsecondary Education, U.S. Department of Education, 400 Maryland Avenue SW, Washington, DC 20202, telephone: (202) 453-7615, or email: elizabeth.daggett@ed.gov.

SUPPLEMENTARY INFORMATION: This request for written third-party comments concerning the performance of an accrediting agency under review by the Secretary of Education is required by Section 496(n)(1)(A) of the Higher Education Act of 1965, as amended, 20 U.S.C. 1001, *et seq.* (HEA), and pertains to the third meeting in 2026 of the National Advisory Committee on Institutional Quality and Integrity (NACIQI). The meeting date will be announced in a later **Federal Register** notice and will describe how to register to provide oral comments at the

meeting. Written comments submitted in response to this **Federal Register** notice must be submitted to the electronic mail address identified below on or before the comment due date.

Agency Under Review and Evaluation: The Department requests written comments from the public on the following accrediting agency, which is currently undergoing review and evaluation by the Accreditation Group, and which will be reviewed at the third 2026 NACIQI meeting. The agency is listed by the type of application it has submitted. Please note, the agency's current scope of recognition is indicated below.

Compliance Report:

1. Commission on Accreditation in Physical Therapy Education. Scope of Recognition: The accreditation and preaccreditation ("Candidate for Accreditation") of physical therapist education programs leading to the first professional degree at the master's or doctoral level and physical therapist assistant education programs at the associate degree level and for its accreditation of such programs offered via distance education. Geographic Area of Accrediting Activities: Throughout the United States.

Submission of Written Comments Regarding a Specific Accrediting Agency Under Review: Written comments in response to this **Federal Register** notice about the recognition of the accrediting agency listed above must be received on or before the comment due date, in the *ThirdPartyComments@ed.gov* mailbox. Please include in the subject line "Written Comments: (agency name)." The electronic mail (email) must include the name(s), title, organization/affiliation, mailing address, email address, and telephone number of the person(s) making the comment. Comments should be submitted as a PDF, Microsoft Word document, or in a medium compatible with Microsoft Word that is attached to an email or provided in the body of an email message. Comments about an agency that has submitted a compliance report scheduled for review by the Department must relate to the criteria for recognition cited in the senior Department official's letter that requested the report, which is available at: <https://surveys.ope.ed.gov/erecognition/#/public-documents>. The Criteria are available at <https://www.ecfr.gov/current/title-34/subtitle-B/chapter-VI/part-602?toc=1>.

Only written materials submitted by the deadline to the email address listed in this notice, and in accordance with these instructions, become part of the official record concerning the agency

scheduled for review and are considered by the Department and NACIQI in their deliberations. Comments about the agency listed in this **Federal Register** notice may also be provided orally at the third 2026 NACIQI meeting, which has not yet been scheduled, but which will be announced in a future **Federal Register** notice.

Electronic Access to This Document: The official version of this document is the document published in the **Federal Register**. Free internet access to the official edition of the **Federal Register** and the Code of Federal Regulations is available via the Federal Digital System at: <https://www.govinfo.gov/>. At this site, you can view this document, as well as all other documents of the Department published in the **Federal Register**, in text or Adobe Portable Document Format (PDF). To use PDF, you must have Adobe Acrobat Reader, which is available free at the site. You may also access documents of the Department published in the **Federal Register** by using the article search feature at: www.federalregister.gov. Specifically, through the advanced search feature at this site, you can limit your search to documents published by the Department.

Authority: 20 U.S.C. 1099b; 20 U.S.C. 1011c.

David Barker,

Assistant Secretary for Postsecondary Education.

[FR Doc. 2026-09432 Filed 5-11-26; 8:45 am]

BILLING CODE 4000-01-P

ELECTION ASSISTANCE COMMISSION

Sunshine Act Meetings

AGENCY: Election Assistance Commission.

ACTION: Notice of public meeting.

SUMMARY: The Election Assistance Commission is hosting a virtual public meeting to obtain further information on election official training programs.

DATES: Thursday, May 21, 2026, 1:00 p.m.–3:00 p.m. ET.

ADDRESSES: The virtual meeting is open to the public and will be livestreamed on the U.S. Election Assistance Commission YouTube Channel: <https://www.youtube.com/@u.s.electionassistancecomm2110>.

FOR FURTHER INFORMATION CONTACT: Kristen Muthig, EAC Director of Communications. Telephone: (202) 897-9285, Email: kmuthig@eac.gov.

SUPPLEMENTARY INFORMATION: *Purpose:* In accordance with the Government in the Sunshine Act (Sunshine Act), Public

Law 94–409, as amended (5 U.S.C. 552b), the U.S. Election Assistance Commission (EAC) will conduct an open meeting on election official training.

Agenda: During the meeting, the EAC's Commissioners and staff will lead discussions with election officials on their experiences with existing election official training programs, opportunities for training engagement, and the EAC's role in training.

Public comments on the meeting must be in writing and submitted not later than 24 hours prior to the meeting start time. Written public comments can be submitted electronically via <https://www.regulations.gov> (docket ID: EAC–2026–0199). Email submissions of public comments on the meeting will not be accepted.

Background: The Help America Vote Act of 2002 (HAVA) charged the EAC to serve as a national clearinghouse and resource for the compilation of information and review of procedures with respect to the administration of federal elections. Professional election official training is a vital component of the quality of federal election administration throughout the United States. With numerous training approaches and a variety of methodologies employed across the country, the EAC seeks feedback on election officials' experiences with existing election official training programs (federal, state, and local), opportunities for training engagement, and the EAC's role in training.

Status: This meeting will be open to the public.

Camden Kelliher,

General Counsel, U.S. Election Assistance Commission.

[FR Doc. 2026–09423 Filed 5–8–26; 4:15 pm]

BILLING CODE 4810–71–P

DEPARTMENT OF ENERGY

Notice of Postponement of Meeting of the Environmental Management Site-Specific Advisory Board, Savannah River Site

AGENCY: U.S. Department of Energy.

ACTION: Notice of meeting postponement.

SUMMARY: This Notice announces the postponement of a previously announced Environmental Management Site-Specific Advisory Board, Savannah River Site, meeting.

DATES: The meeting of the Environmental Management Site-Specific Advisory Board, Savannah

River Site, scheduled for May 19, 2026, is postponed.

FOR FURTHER INFORMATION CONTACT:

James Tanner, Office of External Affairs, U.S. Department of Energy, Savannah River Operations Office, P.O. Box A, Aiken, SC 29802; Phone: (803) 646–2167; or Email: james.tanner@srs.gov.

SUPPLEMENTARY INFORMATION: The meeting Environmental Management Site-Specific Advisory Board, Savannah River Site, at the Advanced Manufacturing Collaborative, 4345 Trolley Line Road, Aiken, South Carolina 29801 and to be streamed on YouTube is postponed. The meeting will be rescheduled, and a new notice will be published in the **Federal Register**. The original notice was published on April 25, 2026, FR Doc. 2026–07296 at 91 FR 20158.

Signing Authority: This document of the Department of Energy was signed on May 7, 2026, by David Borak, Committee Management Officer, pursuant to delegated authority from the Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the **Federal Register**.

Signed in Washington, DC, on May 7, 2026.

Jennifer Hartzell,

Alternate Federal Register Liaison Officer, U.S. Department of Energy.

[FR Doc. 2026–09376 Filed 5–11–26; 8:45 am]

BILLING CODE 6450–01–P

DEPARTMENT OF ENERGY

Environmental Management Site-Specific Advisory Board, Paducah

AGENCY: Office of Environmental Management, Department of Energy.

ACTION: Notice of open meeting.

SUMMARY: This notice announces an in-person/livestreamed meeting of the Environmental Management Site-Specific Advisory Board (EM SSAB), Paducah. The Federal Advisory Committee Act requires that public notice of this meeting be announced in the **Federal Register**.

DATES: Thursday, June 18, 2026; 5:30–7 p.m. CDT.

ADDRESSES: West Kentucky Community and Technical College (WKCTC), Emerging Technology Center, Room 215, 5100 Alben Barkley Drive, Paducah, Kentucky 42001. This meeting will be held in-person at the WKCTC Emerging Technology Center, Room 215 and livestreamed. The meeting will be streamed on YouTube at <https://www.youtube.com/@pppoadvisoryboards8584>; no registration is necessary.

FOR FURTHER INFORMATION CONTACT:

Zachary Boyarski by Phone: (270) 441–6812 or Email: Zachary.Boyarski@pppo.gov.

SUPPLEMENTARY INFORMATION:

Purpose of the Board: At the request of the Assistant Secretary or Field Managers, the Board may provide community-based advice and recommendations concerning any EM program activities, such as clean-up activities and environmental restoration; waste management and disposition; excess facilities; future land use and long-term stewardship; communications; and budget priorities. The Board also provides an avenue to fulfill public participation requirements outlined in the Comprehensive Environmental Response, Compensation, and Liability Act (CERLA), the Resource Conservation and Recovery Act (RCRA), Federal Facility Agreements, Consent Orders, Consent Decrees and Settlement Agreements.

Tentative Agenda: (agenda topics are subject to change; please contact Zachary Boyarski for the most current agenda).

- Administrative Activities
- Public Comment Period

Public Participation: The meeting is open to the public and public comment can be given orally or in writing. Fifteen minutes are allocated during the meeting for public comment and those wishing to make oral comment will be given a minimum of two minutes to speak. Written comments received at least two working days prior to the meeting will be provided to the members and included in the meeting minutes. Written comments received within two working days after the meeting will be included in the minutes. For additional information on public comment and to submit written comment, please contact Zachary Boyarski at Zachary.Boyarski@pppo.gov. The EM SSAB, Paducah, welcomes the attendance of the public at its meetings and will make every effort to accommodate persons with physical disabilities or special needs. If you require special accommodations

due to a disability, please contact Zachary Boyarski at least seven days in advance of the meeting.

Meeting conduct: The Designated Federal Officer is empowered to conduct the meeting in a fashion that will facilitate the orderly conduct of business. Questioning of board members or presenters by the public is not permitted.

Minutes: Minutes will be available at the following website: <https://www.energy.gov/pppo/pgdp-cab/listings/meeting-materials>.

Signing authority: This document of the Department of Energy was signed on May 8, 2026, by David Borak, Committee Management Officer, pursuant to delegated authority from the Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the **Federal Register**.

Signed in Washington, DC on May 8, 2026.

Treena V. Garrett,

Federal Register Liaison Officer, U.S. Department of Energy.

[FR Doc. 2026-09430 Filed 5-11-26; 8:45 am]

BILLING CODE 6450-01-P

DEPARTMENT OF ENERGY

Environmental Management Site-Specific Advisory Board, Nevada

AGENCY: Office of Environmental Management, Department of Energy.

ACTION: Notice of open meeting.

SUMMARY: This notice announces an in-person/virtual meeting of the Environmental Management Site-Specific Advisory Board (EM SSAB), Nevada. The Federal Advisory Committee Act requires that public notice of this meeting be announced in the **Federal Register**.

DATES: Wednesday, June 17, 2026; 4-6 p.m. PDT.

ADDRESSES: Molasky Corporate Center, 15th Floor Conference Room, 100 North City Parkway, Las Vegas, Nevada 89106. This meeting will be held in-person at the Molasky Corporate Center and virtually. To receive the virtual access information, please contact the Nevada Site Specific Advisory Board (NSSAB) Administrator at the telephone number

or email listed below at least two days prior to the meeting.

FOR FURTHER INFORMATION CONTACT:

Barbara Ulmer, NSSAB Administrator, NSSAB Office, by phone: 702-523-0894 or email: nssab@emcbc.doe.gov.

SUPPLEMENTARY INFORMATION:

Purpose of the Board: At the request of the Assistant Secretary or Field Managers, the Board may provide community-based advice and recommendations concerning any EM program activities, such as clean-up activities and environmental restoration; waste management and disposition; excess facilities; future land use and long-term stewardship; communications; and budget priorities. The Board also provides an avenue to fulfill public participation requirements outlined in the Comprehensive Environmental Response, Compensation, and Liability Act (CERLA), the Resource Conservation and Recovery Act (RCRA), Federal Facility Agreements, Consent Orders, Consent Decrees and Settlement Agreements.

Tentative Agenda: (agenda topics are subject to change; please contact the NSSAB Administrator for the most current agenda).

- Public Comment Period
- Update from Deputy Designated Federal Officer
- Update from National Nuclear Security Administration/Nevada Field Office
- Updates from NSSAB Liaisons
- Presentation to the Board
- Board Business

Public Participation: The meeting is open to the public and public comment can be given orally or in writing. Fifteen minutes are allocated during the meeting for public comment and those wishing to make oral comment will be given a minimum of two minutes to speak. Written comments received at least two working days prior to the meeting will be provided to the members and included in the meeting minutes. Written comments received within two working days after the meeting will be included in the minutes. For additional information on public comment and to submit written comment, please contact the NSSAB Administrator. The EM SSAB, Nevada, welcomes the attendance of the public at its meetings and will make every effort to accommodate persons with physical disabilities or special needs. If you require special accommodations due to a disability, please contact the NSSAB Administrator at least seven days in advance of the meeting.

Meeting conduct: The Designated Federal Officer is empowered to conduct the meeting in a fashion that will facilitate the orderly conduct of business. Questioning of board members or presenters by the public is not permitted.

Minutes: Minutes will be available at the following website: <https://www.nnss.gov/nssab/nssab-meetings/>.

Signing authority: This document of the Department of Energy was signed on May 8, 2026, by David Borak, Committee Management Officer, pursuant to delegated authority from the Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the **Federal Register**.

Signed in Washington, DC, on May 8, 2026.

Treena V. Garrett,

Federal Register Liaison Officer, U.S. Department of Energy.

[FR Doc. 2026-09431 Filed 5-11-26; 8:45 am]

BILLING CODE 6450-01-P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket No. IC26-7-000]

Commission Information Collection Activities (FERC-577) Comment Request; Extension

AGENCY: Federal Energy Regulatory Commission.

ACTION: Notice of information collection and request for comments.

SUMMARY: In compliance with the requirements of the Paperwork Reduction Act of 1995, 44 U.S.C. 3507(a)(1)(D), the Federal Energy Regulatory Commission (Commission or FERC) is submitting its information collection FERC-577: Natural Gas Facilities: Environmental Review and Compliance to the Office of Management and Budget (OMB) for review of the information collection requirements. There are no proposed changes to the reporting requirements in this collection. However, FERC has corrected errors in previously published burden tables to reflect the burden published in RM22-8.

DATES: Comments on the collection of information are due June 11, 2026.

ADDRESSES: Send written comments on FERC-577 to OMB through https://www.reginfo.gov/public/do/PRA/icrPublicCommentRequest?ref_nbr=202604-1902-003. You can also visit <https://www.reginfo.gov/public/do/PRAMain> and use the drop-down under “Currently under Review” to select the “Federal Energy Regulatory Commission” where you can see the open opportunities to provide comments. Comments should be sent within 30 days of publication of this notice.

Please submit a copy of your comments to the Commission via email to DataClearance@FERC.gov. You must specify the Docket No. (IC26-7-000) and the FERC Information Collection number (FERC-577) in your email. If you are unable to file electronically, comments may be filed by USPS mail or by hand (including courier) delivery:

- *Mail via U.S. Postal Service Only:* Federal Energy Regulatory Commission, Secretary of the Commission, 888 First Street NE, Washington, DC 20426.

- *All other delivery methods:* Federal Energy Regulatory Commission, Secretary of the Commission, 12225 Wilkins Avenue, Rockville, MD 20852.

Docket: To view comments and issuances in this docket, please visit <https://elibrary.ferc.gov/eLibrary/search>.

FOR FURTHER INFORMATION CONTACT:

Kayla Williams may be reached by email at DataClearance@FERC.gov, or by telephone at (202)502-6468.

SUPPLEMENTARY INFORMATION:

Title: FERC-577, Natural Gas Facilities: Environmental Review and Compliance.

OMB Control No.: 1902-0128.

Type of Request: Three-year extension of the FERC-577 information collection requirements with no changes to the current reporting requirements.

Abstract: FERC-577 identifies the Commission’s information collections pertaining to 18 CFR parts 2, 153, 157, 284, and 380.

Parts 2, 153, 157, and 380 of the Commission’s regulations outline the environmental resource related information that natural gas companies must provide when seeking authorization to construct or abandon natural gas facilities. The required information addresses the resource areas affected by the proposed action and describes the impact the project is likely to have and the measures the applicant will implement to mitigate those impacts. The proposed action will determine the specific information a company must submit. Per the National Environmental Policy Act, all federal agencies are required to give appropriate consideration to the environmental effects of the proposed actions in their decision making; this information allows the Commission to fulfill its NEPA obligations.

Parts 2, 157, 284, and 380 of the Commission’s regulations also outline the requirements for natural gas companies that are subject to FERC’s jurisdiction to notify affected

landowners of certain planned activities prior to coming onto landowners’ property.¹ The notifications include: (1) a brief description of the activity to be conducted or facilities to be constructed/replaced and the effects that the activities are expected to have on the landowner’s property; (2) the name and phone number of the company representative that is knowledgeable about the project; and (3) a description of the Commission’s Dispute Resolution Service Helpline, as explained in Section 1b.21(g) of the Commission’s regulations, and the Dispute Resolution Service Helpline number. The Commission defines “affected landowners” as owners of property interests, as noted in the most recent tax notice, whose property is directly affected (*i.e.* crossed or used) by the proposed activity, including all rights-of-way, facility sites, access roads, pipe and contractor yards, and temporary workspaces.

The FERC-577 information collections cannot be discontinued or conducted less frequently. Without such information, the Commission would be unable to fulfill its statutory responsibilities under the Natural Gas Act and NEPA.

Type of Respondents: Natural Gas Companies subject to FERC’s jurisdiction.

*Estimate of Annual Burden:*² The Commission estimates the annual public reporting burden and cost³ for the information collection as follows.⁴

	Number of respondents	Number of responses per respondent	Total number of responses	Average burden hours & average cost per response (\$) (rounded)	Total annual burden hours & total annual cost (\$) (rounded)	Cost per respondent (\$) (rounded)
	(1)	(2)	(1) * (2) = (3)	(4)	(3) * (4) = (5)	(5) ÷ (1) = (6)
Natural Gas Companies’ Environmental Review and Compliance ⁵ (18 CFR Parts 2, 153, 157, and 380) ⁶ .	107	16	1,712	193.52 hours; \$19,932.56	331,306 hours; \$34,124,518 ...	\$318,921
Natural Gas Companies’ Landowner Notifications ⁷ (18 CFR §§ 157(d), 157(f), 2.55(a), 2.55(b), 284.11, and 380.15).	164	144	23,616	2 hours; \$206	47,232 hours; \$4,864,896	\$29,664
Total .....	.....	.....	25,328	.....	378,538 hours; \$38,989,414 ...	.....

¹ These notifications are sent to affected landowners and are not submitted to FERC. Per 5 CFR 1320.3(c) the definition of “Collection of Information” includes mandated third-party disclosures.

² Burden is defined as the total time, effort, or financial resources expended by persons to

generate, maintain, retain, or disclose or provide information to or for a federal agency. See 5 CFR 1320 (2025) for additional information on the definition of information collection burden.

³ The Commission staff estimates that industry is similarly situated in terms of hourly cost (for wages plus benefits). Based on the Commission’s FY

(Fiscal Year) 2025 average cost (for wages plus benefits), \$103/hour is used.

⁴ FERC has updated this table since the 60-day Federal Register Notice to more clearly describe the relationship between the regulations and the information collection burden.

FERC received one comment on the 60-day **Federal Register** Notice. The commenter requested greater clarification regarding the purpose of the information collection and the specific details about what information is being collected.

FERC included additional information in this notice to describe the need and details of the collection. The commentator also stated that FERC had not mapped information categories to decision outputs and cited 5 CFR 1320.8(b)(1). The commentator incorrectly characterizes this regulation which requires that FERC track its information collections and have an OMB Control Number and Expiration Date. This information is available at <https://www.ferc.gov/information-collections> and also at <https://www.ferc.gov/industries-data/natural-gas/industry-forms>. The commentator also stated that burden and cost methodology was inadequate; however, they did not provide recommendations for how these might be updated. FERC reviewed the burden calculation and corrected the burden to reflect changes incorporated in RM22–8.

Comments: Comments are invited on: (1) whether the collection of information is necessary for the proper performance of the functions of the Commission, including whether the information will have practical utility; (2) the accuracy of the agency's estimate of the burden and cost of the collection of information, including the validity of the methodology and assumptions used; (3) ways to enhance the quality, utility and clarity of the information collection; and (4) ways to minimize the burden of the collection of information on those who are to respond, including the use of automated collection techniques or other forms of information technology.

Dated: May 6, 2026.

Debbie-Anne A. Reese,
Secretary.

[FR Doc. 2026–09332 Filed 5–11–26; 8:45 am]

BILLING CODE 6717–01–P

⁵ Number of estimated natural gas companies anticipated to file environmental related information. This is based on previous years responses combined with trend information.

⁶ The 60-day notice correctly said that there are no proposed changes to the information collection. This table has been updated to correct errors so that the burden reflects the burden published in final rule RM22–8 (88 FR 74033)

⁷ Estimated number of Natural Gas Companies subject to FERC's jurisdiction. This figure naturally fluctuates based on changes in the natural gas industry.

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

Notice of Effectiveness of Exempt Wholesale Generator and Foreign Utility Company Status

	Docket Nos.
Mayhew Lake Energy Storage, LLC	EG26–147–000
Crowned Ridge Energy Storage I, LLC	EG26–148–000
Empire Offshore Wind LLC	EG26–149–000
Rocky Forge Wind, LLC	EG26–150–000
Eagle Creek Solar Park LLC	EG26–151–000
EDPR CA Solar Park VI LLC	EG26–152–000
EDPR Scarlet III LLC	EG26–153–000
Sonrisa BESS LLC	EG26–154–000
Santa Teresa Storage, LLC	EG26–155–000
Hillsboro Solar Project LLC	EG26–156–000
Gunnar Reliability Project LLC	EG26–157–000
Atlas Solar, LLC	EG26–158–000
Bensonhurst Energy Storage 1 LLC	EG26–159–000
Holyoke Energy Storage 1 LLC	EG26–160–000
Hecate Energy Cider Solar LLC	EG26–161–000
Hashknife Energy Center II LLC	EG26–162–000
Asia Environmental Companies	FC26–9–000
Atlantic Power Canada Companies	FC26–10–000
Energia Companies	FC26–11–000
Ebes Sistemas de Energia S.A.	FC26–12–000

Take notice that during the month of April 2026, the status of the above-captioned entities as Exempt Wholesale Generators or Foreign Utility Companies became effective by operation of the Commission's regulations. 18 CFR 366.7(a) (2025).

Dated: May 7, 2026.

Carlos D. Clay,
Deputy Secretary.

[FR Doc. 2026–09380 Filed 5–11–26; 8:45 am]

BILLING CODE 6717–01–P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

Combined Notice of Filings #1

Take notice that the Commission received the following Complaints and Compliance filings in EL Dockets:

Docket Numbers: EL26–63–000.

Applicants: Maryland Office of People's Counsel v. PJM Interconnection, LLC.

Description: Complaint of Maryland Office of People's Counsel v. PJM Interconnection, LLC.

Filed Date: 5/7/26.

Accession Number: 20260507–5026.

Comment Date: 5 p.m. ET 5/27/26.

Take notice that the Commission received the following electric rate filings:

Docket Numbers: ER10–2475–041; ER10–2474–040; ER10–3246–035;

ER24–1587–012; ER22–1385–022; ER23–674–018; ER23–676–020; ER13–1266–062; ER15–2211–059; ER10–1520–028; ER10–1521–028.

Applicants: Occidental Power Marketing, L.P., Occidental Power Services, Inc., MidAmerican Energy Services, LLC, CalEnergy, LLC, BHE Power Watch, LLC, BHE Wind Watch, LLC, BHER Market Operations, LLC., AlbertaEx, L.P., PacifiCorp, Sierra Pacific Power Company, Nevada Power Company.

Description: Notice of Non-Material Change in Status of Nevada Power Company, et al.

Filed Date: 4/30/26.

Accession Number: 20260430–5648.

Comment Date: 5 p.m. ET 5/21/26.

Docket Numbers: ER14–1219–020; ER16–1732–020; ER17–989–019; ER11–1850–015; ER25–2956–001; ER11–1846–015; ER26–2334–001; ER11–2062–032; ER22–425–009; ER17–990–019; ER11–2598–018; ER11–4307–033; ER17–1946–019; ER12–261–032; ER10–3223–011; ER11–3320–026; ER10–2355–012; ER23–2625–003; ER16–10–005; ER18–1160–006; ER21–2826–005; ER14–2548–015; ER24–671–003; ER11–4308–033; ER10–2744–027; ER16–2405–020; ER16–2406–021; ER11–2175–010; ER17–992–019; ER12–224–011; ER17–767–010; ER17–765–010; ER11–3188–010; ER12–225–011; ER12–2301–010; ER11–2176–009; ER17–764–010; ER10–2678–026; ER10–1631–026; ER10–2947–017; ER11–3321–017; ER11–3418–012.

Applicants: Xoom Energy, LLC, Wallingford Energy LLC, Vienna Power LLC, University Park Energy, LLC, Troy Energy, LLC, Stream Ohio Gas & Electric, LLC, Stream Energy Pennsylvania, LLC, Stream Energy New York, LLC, Stream Energy New Jersey, LLC, Stream Energy Maryland, LLC, Stream Energy Illinois, LLC, Stream Energy Delaware, LLC, Stream Energy Columbia, LLC, Springdale Energy, LLC, SGE Energy Sourcing, LLC, Rockford Power, LLC, Rockford Power II, LLC, Riverside Generating Company, L.L.C., Reliant Energy Northeast LLC, Helix Ravenswood, LLC, Ocean State Power, NRG Curtailment Solutions, Inc., NRG Cottonwood Tenant LLC, NRG Chalk Point CT LLC, NRG Business Marketing LLC, Midwest Generation LLC, LSP University Park, LLC, Indian River Power LLC, Independence Energy Group LLC, Helix Ironwood, LLC, Green Mountain Energy Company, Gateway Energy Services Corporation, Gans Energy, LLC, Enerwise Global Technologies, LLC, Energy Plus Holdings LLC, Doswell, LLC, Direct Energy Services, LLC, Direct Energy Marketing LLC, Direct Energy Business,

LLC, Chambersburg Energy, LLC, Aurora Generation, LLC, Armstrong Power, LLC.

Description: Notice of Change in Status of Armstrong Power, LLC, et al.
Filed Date: 4/28/26.

Accession Number: 20260428–5323.

Comment Date: 5 p.m. ET 5/19/26.

Docket Numbers: ER16–131–007; ER13–534–010; ER13–2414–007; ER17–2472–009; ER18–301–007; ER10–2294–011; ER25–2826–001; ER20–2977–004; ER22–2178–005; ER23–1773–005; ER25–1342–001; ER22–1882–005; ER24–564–003; ER25–3568–001; ER16–2675–003; ER17–737–004.

Applicants: Viridity Energy Solutions Inc., AltaGas Pomona Energy Storage Inc., VESI 15 LLC, VESI 12 LLC, VESI 10 LLC, Second Imperial Geothermal Company L.P., Pomona Energy Storage 2 LLC, ORNI 50 LLC, ORNI 34 LLC, ORNI 30 LLC, ORNI 18, LLC, Ormesa LLC, ONGP LLC, Mammoth Three LLC, Mammoth One, LLC, Heber Geothermal Company LLC.

Description: Notice of Non-Material Change in Status of Heber Geothermal Company LLC, et al.

Filed Date: 4/29/26.

Accession Number: 20260429–5376.

Comment Date: 5 p.m. ET 5/20/26.

Docket Numbers: ER17–1394–015; ER24–1271–007; ER22–1627–010; ER25–2563–003; ER24–2271–006; ER14–1964–026; ER16–287–020; ER12–161–037; ER20–2028–011; ER25–567–004; ER17–482–020; ER19–1074–029; ER10–1427–022; ER20–1447–016; ER10–2917–034; ER19–1075–029; ER19–529–029; ER12–645–033; ER20–1806–011; ER23–2481–009; ER24–444–009; ER24–443–011; ER25–1595–003; ER24–2272–005; ER22–192–019; ER24–2602–005; ER24–2603–003; ER24–1272–007; ER25–2635–001; ER26–137–001; ER26–131–001; ER24–1449–006; ER10–2922–034; ER11–3377–017; ER13–1139–031; ER25–2565–003; ER24–2273–006; ER12–2313–016; ER22–1883–009; ER24–2601–006; ER22–398–009; ER25–3130–002; ER25–3131–002; ER10–1330–018; ER11–3376–016; ER19–89–007; ER22–1019–007; ER21–2410–003; ER14–2630–024; ER24–2297–004; ER11–2383–031; ER25–3506–001; ER11–3378–017; ER25–1127–003; ER25–2562–003; ER22–1010–017; ER24–2837–004; ER23–2203–008; ER22–2963–005.

Applicants: Yellowbud Solar, LLC, Wildflower Solar, LLC, Unbridled Solar, LLC, TerraForm IWG Acquisition Holdings II, LLC, Sycamore Creek Solar, LLC, Spring Grove Solar II, LLC, South Hurlburt Wind, LLC, SF Aggregator, LLC, Safe Harbor Water Power Corporation, Ross County Solar, LLC,

Regulus Solar, LLC, Prairie Wolf Solar, LLC, Powell River Energy Inc., North Rosamond Solar, LLC, North Hurlburt Wind, LLC, North Allegheny Wind, LLC, Nimbus Wind Farm, LLC, Morgnec Road Solar, LLC, Mesa Wind Power LLC, Louise Solar Project, LLC, Ledyard Windpower, LLC, Laurel Hill Wind Energy, LLC, Jones Farm Lane Solar, LLC, Jackson County Solar, LLC, Imperial Valley Solar 1, LLC, Horseshoe Bend Wind, LLC, Hawks Nest Hydro LLC, Goose Prairie Solar LLC, Gonzaga Ridge Wind Farm, LLC, Gonzaga Ridge Battery Facility, LLC, Geronimo Power Marketing, LLC, Foxglove Solar Project, LLC, Fayette Solar, LLC, Fillmore County Solar Project, LLC, Evolugen Trading and Marketing LP, Egypt Road Solar, LLC, Dodson Creek Solar, LLC, Deriva Energy Services, LLC, Deriva Energy Beckjord Storage LLC, Crystal Hill Solar, LLC, Catalyst Old River Hydroelectric Limited Partnership, California Ridge Wind Energy LLC, Brookfield Renewable Trading and Marketing LP, Brookfield Renewable Energy Marketing US LLC, Brookfield Power Piney & Deep Creek LLC, Brookfield Energy Marketing US LLC, Brookfield Energy Marketing LP, Brookfield Energy Marketing Inc., BREG Aggregator LLC, BR Pacific Hydro Power LLC, Bitter Ridge Wind Farm, LLC, Bishop Hill Energy LLC, BIF III Holtwood LLC, LSP Safe Harbor Holdings, LLC, Aspen Road Solar 1, LLC, Apple River Solar, LLC, AM Wind Repower LLC, Alton Post Office Solar, LLC, 83WI 8me, LLC.

Description: Notice of Non-Material Change in Status of 83WI 8me, LLC, et al.

Filed Date: 4/29/26.

Accession Number: 20260429–5378.

Comment Date: 5 p.m. ET 5/20/26.

Docket Numbers: ER21–64–002.

Applicants: Macquarie Energy LLC.

Description: Refund Report of

Macquarie Energy LLC.

Filed Date: 4/23/26.

Accession Number: 20260423–5221.

Comment Date: 5 p.m. ET 5/14/26.

Docket Numbers: ER21–2649–002.

Applicants: Macquarie Energy LLC.

Description: Refund Report of

Macquarie Energy LLC.

Filed Date: 4/23/26.

Accession Number: 20260423–5222.

Comment Date: 5 p.m. ET 5/14/26.

Docket Numbers: ER25–2838–002.

Applicants: Northern States Power Company, a Minnesota corporation.

Description: Tariff Amendment: 2026–05–07 CapX—Fargo 4—LRTP—OMA—307 Amend to be effective 6/13/2025.

Filed Date: 5/7/26.

Accession Number: 20260507–5050.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–1655–001.

Applicants: Grid Growth Ohio EH, LLC, Grid Growth Ohio, LLC.

Description: Tariff Amendment: Grid Growth Ohio, LLC submits tariff filing per 35.17(b): Grid Growth Response to Deficiency Letter in ER26–1655 to be effective 5/6/2026.

Filed Date: 5/6/26.

Accession Number: 20260506–5052.

Comment Date: 5 p.m. ET 5/27/26.

Docket Numbers: ER26–2467–001.

Applicants: Southwest Power Pool, Inc.

Description: Tariff Amendment: Errata Filing—Membership Agreement Amendments for Tri-State to be effective 7/5/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5055.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2475–000.

Applicants: Tri-State Generation and Transmission Association, Inc.

Description: 205(d) Rate Filing: Amendment to Service Agreement FERC No. 922 to be effective 4/2/2026.

Filed Date: 5/6/26.

Accession Number: 20260506–5119.

Comment Date: 5 p.m. ET 5/27/26.

Docket Numbers: ER26–2476–000.

Applicants: Mid-Atlantic Interstate Transmission, LLC.

Description: 205(d) Rate Filing: MAIT submits a new Construction Agmt—SA No. 7677 to be effective 7/7/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5006.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2477–000.

Applicants: PJM Interconnection, L.L.C.

Description: 205(d) Rate Filing: Amendment to GIA No. 7648; Project Identifier No. AE1–173 to be effective 7/7/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5014.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2478–000.

Applicants: Southwest Power Pool, Inc.

Description: 205(d) Rate Filing: 4842 Neosha Grid Surplus Interconnection GIA to be effective 7/7/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5024.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2479–000.

Applicants: Southwest Power Pool, Inc.

Description: Tariff Amendment: 4239R1 Little Blue Wind II GIA Cancellation to be effective 6/23/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5035.
Comment Date: 5 p.m. ET 5/28/26.
Docket Numbers: ER26–2480–000.
Applicants: PJM Interconnection, L.L.C.

Description: 205(d) Rate Filing: Amendment of ISA SA No. 6745; Queue No. AC2–015 to be effective 7/6/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5037.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2481–000.

Applicants: Southwest Power Pool, Inc.

Description: Tariff Amendment: 4118 K Junction Solar GIA Cancellation to be effective 7/21/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5043.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2483–000.

Applicants: Daylight II, LLC.

Description: 205(d) Rate Filing: Amended and Restated Facilities Use Agreement to be effective 5/8/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5079.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2484–000.

Applicants: Doswell, LLC.

Description: Compliance filing: Notice of Succession and Request for Waiver to be effective 2/13/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5086.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2485–000.

Applicants: Doswell, LLC.

Description: Compliance filing: Notice of Succession and Request for Waiver to be effective 2/13/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5089.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2486–000.

Applicants: Doswell, LLC.

Description: Compliance filing: Notice of Succession and Request for Waiver to be effective 2/13/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5092.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2487–000.

Applicants: PJM Interconnection, L.L.C.

Description: Request of PJM Interconnection, L.L.C. for Waiver of OA Provisions in Order for the PJM Nominating Committee to Nominate a Candidate for Election to Fill Vacancy at a Future Members Committee Meeting After the Annual Meeting.

Filed Date: 5/7/26.

Accession Number: 20260507–5102.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26–2488–000.

Applicants: Southwestern Electric Power Company.

Description: Tariff Amendment: SWEPCO Rabbit's Foot Solar Preliminary Development Agreement Cancellation to be effective 7/7/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5105.

Comment Date: 5 p.m. ET 5/28/26.

The filings are accessible in the Commission's eLibrary system (<https://elibrary.ferc.gov/idmws/search/fercgensearch.asp>) by querying the docket number.

Any person desiring to intervene, to protest, or to answer a complaint in any of the above proceedings must file in accordance with Rules 211, 214, or 206 of the Commission's Regulations (18 CFR 385.211, 385.214, or 385.206) on or before 5:00 p.m. Eastern time on the specified comment date. Protests may be considered, but intervention is necessary to become a party to the proceeding.

eFiling is encouraged. More detailed information relating to filing requirements, interventions, protests, service, and qualifying facilities filings can be found at: <http://www.ferc.gov/docs-filing/efiling/filing-req.pdf>. For other information, call (866) 208–3676 (toll free). For TTY, call (202) 502–8659.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202) 502–6595 or OPP@ferc.gov.

Dated: May 7, 2026.

Carlos D. Clay,

Deputy Secretary.

[FR Doc. 2026–09378 Filed 5–11–26; 8:45 am]

BILLING CODE 6717–01–P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Project No. 2513–091]

Green Mountain Power Corporation; Notice of Intent To Prepare an Environmental Assessment

On February 28, 2023, Green Mountain Power Corporation (GMP) filed a relicense application for the 8.05-megawatt Essex No. 19 Hydroelectric Project No. 2513. The project is located on the Winooski River in Chittenden County, Vermont.

In accordance with the Commission's regulations, on February 4, 2026, Commission staff issued a notice that the project was ready for environmental analysis (REA notice). Based on the information in the record, including comments filed on the REA notice, staff

does not anticipate that licensing the project would constitute a major federal action significantly affecting the quality of the human environment. Therefore, staff intends to prepare an environmental assessment (EA) on the application to relicense the project.¹

The EA will be issued and circulated for review by all interested parties. All comments filed on the EA will be analyzed by staff and considered in the Commission's final licensing decision.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202) 502–6595 or OPP@ferc.gov.

The application will be processed according to the following schedule. The EA will be issued for a 30-day comment period. Revisions to the schedule may be made as appropriate.

Milestone	Target date
Commission issues EA.	February 4, 2027.

Any questions regarding this notice may be directed to Joshua Dub by telephone at (202) 502–8138 or by email at Joshua.Dub@ferc.gov.

(Authority: 18 CFR 2.1.)

Dated: May 7, 2026.

Debbie-Anne A. Reese,
Secretary.

[FR Doc. 2026–09427 Filed 5–11–26; 8:45 am]

BILLING CODE 6717–01–P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

Combined Notice of Filings

Take notice that the Commission has received the following Natural Gas Pipeline Rate and Refund Report filings:

Filings Instituting Proceedings

Docket Numbers: RP26–840–000.

Applicants: Equitrans, L.P.

Description: 4(d) Rate Filing: Negotiated Rate Capacity Release Agreement—5/7/2026 to be effective 5/7/2026.

Filed Date: 5/6/26.

Accession Number: 20260506–5095.

Comment Date: 5 p.m. ET 5/18/26.

Docket Numbers: RP26–841–000.

Applicants: Gillis Hub Pipeline, LLC.

¹ For tracking purposes under the National Environmental Policy Act, the unique identification number for documents relating to this environmental review is EAXX–019–20–000–1770719311.

Description: 4(d) Rate Filing: Filing of Negotiated Rate, Conforming IW Agreement 5.6.26 to be effective 5/8/2026.

Filed Date: 5/6/26.

Accession Number: 20260506–5114.

Comment Date: 5 p.m. ET 5/18/26.

Docket Numbers: RP26–842–000.

Applicants: Mountain Valley Pipeline, LLC.

Description: 4(d) Rate Filing: Negotiated Rate Agreement—5/7/2026 to be effective 5/7/2026.

Filed Date: 5/7/26.

Accession Number: 20260507–5032.

Comment Date: 5 p.m. ET 5/19/26.

Any person desiring to intervene, to protest, or to answer a complaint in any of the above proceedings must file in accordance with Rules 211, 214, or 206 of the Commission's Regulations (18 CFR 385.211, 385.214, or 385.206) on or before 5:00 p.m. Eastern time on the specified comment date. Protests may be considered, but intervention is necessary to become a party to the proceeding.

Filings in Existing Proceedings

Docket Numbers: RP26–707–001.

Applicants: Trailblazer Pipeline Company LLC.

Description: Compliance filing: TPC 2026–05–06 RP26–707 Compliance Filing to be effective 5/1/2026.

Filed Date: 5/6/26.

Accession Number: 20260506–5118.

Comment Date: 5 p.m. ET 5/18/26.

Any person desiring to protest in any of the above proceedings must file in accordance with Rule 211 of the Commission's Regulations (18 CFR 385.211) on or before 5:00 p.m. Eastern time on the specified comment date.

The filings are accessible in the Commission's eLibrary system (<https://elibrary.ferc.gov/idmws/search/fercgensearch.asp>) by querying the docket number.

eFiling is encouraged. More detailed information relating to filing requirements, interventions, protests, service, and qualifying facilities filings can be found at: <http://www.ferc.gov/docs-filing/efiling/filing-req.pdf>. For other information, call (866) 208–3676 (toll free). For TTY, call (202) 502–8659.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202) 502–6595 or OPP@ferc.gov.

Dated: May 7, 2026.

Carlos D. Clay, Deputy Secretary.

[FR Doc. 2026–09379 Filed 5–11–26; 8:45 am]

BILLING CODE 6717–01–P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Project No. 15249–002]

Lewis Ridge Pumped Storage, LLC; Notice of Intent To Prepare an Environmental Impact Statement for the Lewis Ridge Pumped Storage Project, Schedule for Environmental Review, and Request for Comments

The staff of the Federal Energy Regulatory Commission (FERC or Commission) will prepare a draft and final environmental impact statement (EIS) to evaluate potential environmental impacts of the construction, operation, and maintenance of the proposed Lewis Ridge Pumped Storage Project (Lewis Ridge Project; FERC No. 15249), located near the towns of Blackmont, Tejay, Balkan, and Callaway in Bell County, Kentucky.¹ The Commission will use the EIS in its decision-making process in accordance with the National Environmental Policy Act (NEPA). The schedule for preparing the EIS is discussed in the *Schedule for Environmental Review* section of this notice.

As part of the NEPA review process, the Commission takes into account concerns the public may have about proposals and the environmental impacts that could result whenever it considers the issuance of a license. This gathering of public input is referred to as “scoping.” On October 24, 2025, Commission staff issued a notice of scoping period requesting comments on environmental issues for the proposed project, initiating the scoping process for the project.

In accordance with the Commission's regulations, on February 2, 2026, Commission staff issued a notice that the project was ready for environmental analysis and soliciting comments, recommendations, terms and conditions, and prescriptions (REA Notice). The comment period for the REA Notice closed on April 3, 2026. Based on the information in the record, including comments filed during scoping and in response to the REA Notice, staff has determined that licensing the project may constitute a major federal action significantly affecting the quality of the human environment. Therefore, staff will prepare a draft and final EIS for the

proposed Lewis Ridge Project, which will address the concerns raised during prior comment periods and comments received in response to this notice.

By this notice, the Commission requests any additional comments on the scope of issues to address in the EIS, including comments on potential alternatives and impacts, and any relevant information, studies, or analyses of any kind concerning impacts affecting the quality of the human environment. If you previously submitted comments and recommendations to the Commission, you do not need to file those comments and recommendations again. To ensure that your comments are timely and properly recorded, please submit your comments so that the Commission receives them in Washington, DC on or before 5:00 p.m. Eastern Time on June 8, 2026.

Public Participation

There are three methods you can use to submit your comments to the Commission. The Commission encourages electronic filing of comments and has staff available to assist you at (866) 208–3676, or FercOnlineSupport@ferc.gov. Please carefully follow these instructions so that your comments are properly recorded.

(1) You can file your comments electronically using the eComment feature, which is located on the Commission's website (www.ferc.gov) under the link to FERC Online. Using eComment is an easy method for submitting brief, text-only comments on a project;

(2) You can file your comments electronically by using the eFiling feature, which is located on the Commission's website (www.ferc.gov) under the link to FERC Online. With eFiling, you can provide comments in a variety of formats by attaching them as a file with your submission. New eFiling users must first create an account by clicking on “eRegister.” You will be asked to select the type of filing you are making; a comment on a particular project is considered a “Comment on a Filing”; or

(3) You can file a paper copy of your comments by mailing them to the Commission. Be sure to reference the project docket number (P–15249–002) on your letter. Submissions sent via the U.S. Postal Service must be addressed to: Debbie-Anne A. Reese, Secretary, Federal Energy Regulatory Commission, 888 First Street NE, Room 1A, Washington, DC 20426. Submissions sent via any other carrier must be addressed to: Debbie-Anne A. Reese,

¹ For tracking purposes under the National Environmental Policy Act, the unique identification number for documents relating to this environmental review is EISX–019–20–000–1769690003.

Secretary, Federal Energy Regulatory Commission, 12225 Wilkins Avenue, Rockville, Maryland 20852.

Additionally, the Commission offers a free service called eSubscription. This service provides automatic notification of filings made to subscribed project dockets, document summaries, and direct links to the documents. Go to <https://www.ferc.gov/ferc-online/overview> to register for eSubscription.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202)502-6595, or *OPP@ferc.gov*.

Summary of the Proposed Lewis Ridge Project

On June 13, 2025, Lewis Ridge Pumped Storage, LLC (Lewis Ridge LLC), filed an application for an original major license to construct and operate the 308-megawatt (MW) Lewis Ridge Project. The proposed project boundary would enclose about 148 acres of privately owned land, primarily owned by Asher Land and Mineral, LLLP, which it used previously for surface and underground coal mining. About 16 additional parcels of privately owned property would be included in the project boundary, primarily along the transmission line and water intake conduit extending from the Cumberland River to the lower reservoir. These lands are identified in Exhibit G of the application (Project Boundary Drawing).

Proposed Project Facilities

The proposed Lewis Ridge Project would consist of a 48.2-acre upper reservoir created by an 8,241-foot-long, 50-foot-high rock earth-fill dam with an integrated emergency overflow spillway passing flows to the Pound Mill Branch and into Puckett Creek. The upper reservoir would have an active storage of about 2,602 acre-feet between a normal maximum elevation of 2,150 feet and a normal minimum elevation of 2,076 feet.² An intake in the upper reservoir would pass flows to a 3,134-foot-long, 16-foot-diameter aboveground penstock. The penstock would connect to a powerhouse located 267 feet below ground, containing two 154-MW reversible pump-turbines with a total rated capacity of 308 MW. Flows from the powerhouse would pass through two 249-foot-long, 12-foot-diameter draft tubes to a 110-foot-long water intake located at the lower reservoir. The 51.6-acre lower reservoir would be created by a 1,120-foot-long, 138-foot-

high earth-fill dam and have an integrated emergency overflow spillway passing flows to the Cumberland River. The lower reservoir would have a gross storage of 3,486 acre-feet and active storage of about 2,602 acre-feet between a normal maximum elevation of 1,134 feet and a normal minimum elevation of 1,034 feet.

A permanent intake would be located on the Cumberland River to provide initial fill flows and maintenance flows. The intake would consist of six screened inlets which connect to a removable/mobile pumping station. Flows from the pumping station would pass through three parallel 4,724-foot-long, 24-inch-diameter buried pipelines which would direct flows to a stilling basin at the lower reservoir.

Lewis Ridge LLC would develop about 7.1 miles of permanent roads for project access and maintenance, and 4 miles of temporary roads for construction. Lewis Ridge LLC would use two disposal sites to deposit excess spoil material (excavated soil and rocks). After completing construction, these sites would be seeded and revegetated.

The project would include a 2.5-mile-long, 161-kilovolt overhead transmission line and two switching stations, connecting the project powerhouse to the grid at the existing Pineville-Harlan #1 transmission line. Under normal operation, the project would have the capacity to produce about 717,000 megawatt hours (MWh) of peak energy annually.

Project Operation

The Lewis Ridge Project would use flows from the Cumberland River and Tom Fork River for the initial fill and periodic recharge of the reservoirs. The project would require about 2,808 acre-feet of water for the initial fill and 149 acre-feet annually to replace water that would be lost to evaporation and seepage. All flows in the Tom Fork River above 2.8 cubic feet per second (cfs) would be available for maintenance flows and initial fill. About 10% of the mean monthly flow in the Cumberland River would be used for initial fill and to supplement Tom Fork River flows for maintenance when needed.

The lower reservoir would inundate part of the 1.8-mile-long Tom Fork River. The lower reservoir dam would include a low-level outlet, which would be used for emergency releases, as well as providing approximately 2.8 cfs (the estimated mean annual flow) to the lower section of the Tom Fork River.

The proposed project would pump water from the lower reservoir to the upper reservoir during periods of low

electrical demand (*i.e.*, off-peak energy) and generate energy by passing the water from the upper to the lower reservoir through the generating units during periods of high electrical demand (*i.e.*, peak energy). Water surface elevations in the upper reservoir would fluctuate about 74 feet under normal operation. The water surface elevation in the lower reservoir would fluctuate 100 feet. The project would produce 266 MW of energy for an 8-hour generation cycle and take 8.8 hours to return water from the lower reservoir to the upper reservoir. The return cycle would require 340 MW of power.

Applicant's Proposed Measures

Under an original license, in addition to constructing, operating, and maintaining the project as described above, Lewis Ridge LLC would implement the following measures: (1) additional geo-technical analyses; (2) an erosion and sediment control plan; (3) a water quality monitoring plan; (4) a stormwater pollution prevention plan; (5) a hazardous substances spill prevention and cleanup plan; (6) a groundwater protection plan; (7) fish exclusion measures; (8) a freshwater mussel relocation program; (9) a wildlife management plan; (10) a vegetation management plan; and (11) a historic properties management plan.

The purpose of the proposed project is to provide a new source of hydroelectric power, primarily during on-peak periods, and provide ancillary services to the electrical grid. Therefore, under the provisions of the Federal Power Act (FPA), the Commission must decide whether to issue a license to Lewis Ridge LLC for the project and what conditions should be placed on any license issued.

The NEPA Process and the EIS

The draft and final EIS issued by the Commission will discuss impacts that could occur from constructing and operating the proposed project under the following relevant general resource areas:

- geology and soil resources;
- water and aquatic resources;
- terrestrial resources;
- threatened and endangered species;
- recreation, land use, and aesthetic resources;
- cultural resources;
- socioeconomic resources, noise and vibration, air quality; and
- developmental resources.

Some of the potential effects include: (1) erosion and sedimentation; (2) the timing and magnitude of water withdrawals from the Cumberland River and Tom Fork River for initial fill and

² Elevations are based on the North American Vertical Datum of 1988 (NAVD 88).

periodic recharge on water quality and aquatic habitat, including associated effects on aquatic organisms, threatened and endangered species, and riparian habitat; (3) the spread of non-native, invasive aquatic and terrestrial species on native species; (4) disturbance of vegetation and suitable habitat for special-status wildlife species, including federally listed species; (5) altered land use and aesthetics; (6) public safety resulting from potential project-related water releases; (7) effects on cultural resources; and (8) changes to local economics, noise/vibrations, and air quality during project construction and operation.

Commission staff will also make recommendations on how to lessen or avoid impacts on the various resource areas. Your comments will help Commission staff focus its analysis on issues that may have a significant effect on the human environment.

On June 26, 2025, Commission staff issued a notice of filing of an application for an original license for the project, which invited agencies wishing to cooperate in the preparation of the environmental document. No agencies filed requests for cooperating agency status.

The draft and final EIS will present Commission staff's independent analysis of the issues. The draft EIS will be issued for public comment and

circulated for review by all interested parties. Commission staff will consider all timely comments received during the comment period on the draft EIS and revise the document, as necessary, before issuing the final EIS. The draft and final EIS will be available in electronic format in the public record through eLibrary.³ If eSubscribed, you will receive an instant email notification when the environmental document is issued.

Alternatives Under Consideration

As part of our review in the EIS, the Commission will consider a range of reasonable alternatives that are technically and economically feasible and meet the purpose and need for the proposed action. Alternatives that do not meet these requirements will be summarized and dismissed from further consideration in the EIS document. In addition to the proposed action, staff will consider a no-action alternative. We are also considering an alternative to the proposed action that potentially meets the above criteria: the applicant's proposed action with staff modifications, including any mandatory conditions (*i.e.*, the staff alternative with mandatory conditions).

With this notice, we ask commenters to identify other potentially reasonable alternatives for consideration. The alternatives considered may be

expanded based on the comments received, provided they meet the criteria described above.

Schedule for Environmental Review

This Notice of Intent identifies Commission staff's planned schedule for completion of the final EIS for the project, which is based on an issuance of a draft EIS in November 2026, opening a 45-day public comment period. All comments filed will be reviewed by staff and considered in the Commission's final decision on the proceeding.

Issuance of Notice of Availability of the final EIS—July 16, 2027

If a schedule change becomes necessary, an additional notice will be provided so that the relevant agencies and interested stakeholders are kept informed of the project's progress.

Permits and Authorizations

The table below lists the anticipated permits and authorizations for the project required under federal law. This list may not be all-inclusive and does not preclude any permit or authorization if it is not listed here. Agencies with jurisdiction by law and/or special expertise may formally cooperate in the preparation of the Commission's EIS and may adopt the EIS to satisfy its NEPA responsibilities related to this project.

Agency	Permit or authorization
FERC	Non-Federal Hydropower License.
U.S. Army Corps of Engineers	Clean Water Act Section 404 Permit.
U.S. Fish and Wildlife Service	Consultation under Section 7 of the Endangered Species Act.
Kentucky Heritage Council	Consultation under Section 106 of the National Historic Preservation Act.
Kentucky Department for Environmental Protection, Division of Water ..	Clean Water Act Section 401 Water Quality Certification.

Additional Information

Additional information about the project is available on the FERC website at www.ferc.gov, using the eLibrary link. Click on the eLibrary link, then click on "General Search" and enter the Docket No. P-15249 in the "Docket Number" field. Be sure you have selected an appropriate date range. For assistance, please contact FERC Online Support at FercOnlineSupport@ferc.gov, (866) 208-3676 (toll free), or (202) 502-8659 (TTY).

Any questions regarding this notice may be directed to Sarah Salazar, the FERC licensing coordinator for the Lewis Ridge Project, at (202) 502-6863 or Sarah.Salazar@ferc.gov.

(Authority: 18 CFR 2.1.)

Dated: May 7, 2026.
Debbie-Anne A. Reese,
Secretary.
[FR Doc. 2026-09425 Filed 5-11-26; 8:45 am]
BILLING CODE 6717-01-P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Project No. 12626-006]

Northern Illinois Hydropower, LLC;
Notice of Waiver Period for Water
Quality Certification Application

On December 12, 2025, Northern Illinois Hydropower, LLC submitted to the Federal Energy Regulatory Commission (Commission) a copy of its application for a Clean Water Act section 401(a)(1) water quality certification filed with the Illinois Environmental Protection Agency, in

³ For instructions on connecting to eLibrary, refer to the *Additional Information* section of this notice this notice.

conjunction with the above captioned project. Pursuant to Section 5.23(b) of the Commission's regulations,¹ we hereby notify the Illinois Environmental Protection Agency of the following:

Date of Receipt of the Certification Request: December 12, 2025.

Reasonable Period of Time to Act on the Certification Request: One year (December 12, 2026).

If the Illinois Environmental Protection Agency fails or refuses to act on the water quality certification request on or before the above date, then the agency certifying authority is deemed waived pursuant to section 401(a)(1) of the Clean Water Act, 33 U.S.C. 1341(a)(1).

(Authority: 18 CFR 2.1.)

Dated: May 7, 2026.

Debbie-Anne A. Reese,
Secretary.

[FR Doc. 2026-09426 Filed 5-11-26; 8:45 am]

BILLING CODE 6717-01-P

ENVIRONMENTAL PROTECTION AGENCY

[EPA-HQ-OPPT-2003-0004; FRL-13269-01]

Science Applications International Corporation; Access to Confidential Business Information

AGENCY: Environmental Protection Agency (EPA).

ACTION: Notice.

SUMMARY: This notice announces that information submitted to EPA's Office of Pollution Prevention and Toxics (OPPT) pursuant to the Toxic Substances Control Act (TSCA), including information that may be claimed as Confidential Business Information (CBI) by the submitter, will be transferred to or accessed by Science Applications International Corporation (SAIC), in accordance with the CBI regulations. SAIC has been awarded a contract to perform work in connection with TSCA and access to this information will enable SAIC to fulfill the obligations of the contract.

DATES: Access to the confidential data will occur no sooner than May 19, 2026.

FOR FURTHER INFORMATION CONTACT:

For technical information contact: Jeffrey Santacroce, Information Management and Security Division, Office of Mission Critical Operations (7401M), Environmental Protection Agency, 1200 Pennsylvania Avenue NW, Washington, DC 20460; telephone

number: (202) 564-2818; email address: santacroce.jeffrey@epa.gov.

For general information: The TSCA Assistance Information Service Hotline, Goodwill Vision Enterprises, 422 South Clinton Ave., Rochester, NY 14620; telephone number: (800) 471-7127 or (202) 554-1404; email address: TSCA-Hotline@epa.gov.

SUPPLEMENTARY INFORMATION:

I. General Information

A. Does this action apply to me?

This action is directed to the public in general. This action may, however, be of interest to all who manufacture, process, or distribute industrial chemicals. Since other entities may also be interested, the Agency has not attempted to describe all the specific entities that may be affected by this action.

B. How can I get copies of this document and other related information?

EPA has established a docket for this action under Docket ID no. EPA-HQ-OPPT-2003-0004. Publicly available docket materials are available electronically through <http://www.regulations.gov>. Additional instructions on commenting and visiting the docket, along with more information about dockets generally, is available at <https://www.epa.gov/dockets>.

II. What action is the Agency taking?

Under Geospatial, Analytics, Visualization, and Envirofacts Information Technology Support Services (GAVETS) solicitation number 47QFPA24K0008, task 3.3 for data warehousing and task 3.4 for data services and analytics. SAIC will perform work supporting the operations and maintenance of the ChemView web applications and supporting applications. Their tasks will require access to the TSCA CBI LAN and the TSCA program's recordkeeping system, CIS. CIS contains both confidential and public TSCA data and is a primary data source for ChemView.

In accordance with the requirements of 40 CFR 2.306(f), EPA has determined that the disclosure of CBI submitted to EPA under all sections of TSCA is necessary for SAIC to satisfactorily carry out the work required by the contract. Accordingly, SAIC personnel will be given access to information, including information submitted to EPA under all sections of TSCA, some of which may be claimed or determined to be CBI.

EPA is issuing this notice to inform all submitters that EPA will provide SAIC access to these CBI materials on a need-to-know basis only. All access to

TSCA CBI under this contract takes place in accordance with EPA's *TSCA CBI Protection Manual* and/or any other EPA manual applicable to the protection of TSCA CBI.

Access to TSCA data, including CBI, will continue until May 13, 2026. If the contract is extended, this access will also continue for the duration of the extended contract without further notice. In accordance with the requirements of 40 CFR 2.306(f), the contract prohibits disclosure of the information to a third party without prior written approval from the Agency.

SAIC personnel will sign nondisclosure agreements and will be briefed on appropriate security procedures before they are permitted access to TSCA CBI. Records of information provided to SAIC will be maintained by EPA project officers for this contract. All information supplied to SAIC by EPA for use in connection with this contract will be returned to EPA when SAIC has completed its work.

Dated: May 6, 2026.

Douglas M. Troutman,

Assistant Administrator, Office of Chemical Safety and Pollution Prevention.

[FR Doc. 2026-09370 Filed 5-11-26; 8:45 am]

BILLING CODE 6560-50-P

FEDERAL RESERVE SYSTEM

Change in Bank Control Notices; Acquisitions of Shares of a Bank or Bank Holding Company

The notificants listed below have applied under the Change in Bank Control Act (Act) (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire shares of a bank or bank holding company. The factors that are considered in acting on the applications are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The public portions of the applications listed below, as well as other related filings required by the Board, if any, are available for immediate inspection at the Federal Reserve Bank(s) indicated below and at the offices of the Board of Governors. This information may also be obtained on an expedited basis, upon request, by contacting the appropriate Federal Reserve Bank and from the Board's Freedom of Information Office at <https://www.federalreserve.gov/foia/request.htm>. Interested persons may express their views in writing on the standards enumerated in paragraph 7 of the Act.

Comments received are subject to public disclosure. In general, comments

¹ 18 CFR 5.23(b).

received will be made available without change and will not be modified to remove personal or business information including confidential, contact, or other identifying information. Comments should not include any information such as confidential information that would not be appropriate for public disclosure.

Comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors, Benjamin W. McDonough, Secretary of the Board, 20th Street and Constitution Avenue, NW, Washington, DC 20551-0001, not later than May 27, 2026.

A. *Federal Reserve Bank of Richmond* (Brent B. Hassell, Assistant Vice President) P.O. Box 27622, Richmond, Virginia 23261. Comments can also be sent electronically to

Comments.applications@rich.frb.org:

1. *Kenneth R. Lehman, Fort Lauderdale, Florida*; to acquire voting shares of BayFirst Financial Corp., and thereby indirectly acquire voting shares of BayFirst National Bank, both of Saint Petersburg, Florida.

Board of Governors of the Federal Reserve System.

Michele Taylor Fennell,

Associate Secretary of the Board.

[FR Doc. 2026-09389 Filed 5-11-26; 8:45 am]

BILLING CODE:P

FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The public portions of the applications listed below, as well as other related filings required by the Board, if any, are available for immediate inspection at the Federal Reserve Bank(s) indicated below and at the offices of the Board of Governors. This information may also be obtained on an expedited basis, upon request, by contacting the appropriate Federal Reserve Bank and from the Board's Freedom of Information Office at <https://www.federalreserve.gov/foia/>

[request.htm](#). Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)).

Comments received are subject to public disclosure. In general, comments received will be made available without change and will not be modified to remove personal or business information including confidential, contact, or other identifying information. Comments should not include any information such as confidential information that would not be appropriate for public disclosure.

Comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors, Benjamin W. McDonough, Secretary of the Board, 20th Street and Constitution Avenue NW, Washington, DC 20551-0001, not later than June 11, 2026.

A. *Federal Reserve Bank of Kansas City* (Jeffrey Imgarten, Assistant Vice President) 1 Memorial Drive, Kansas City, Missouri 64198-0001. Comments can also be sent electronically to KCApplicationComments@kc.frb.org:

1. *B.O.E. Bancshares, Inc., Lawton, Oklahoma*; to acquire 23 percent of the voting shares of Reeves Bancshares, Inc., Gould, Oklahoma, and thereby indirectly acquire voting shares of Cattleman Bank, Altus, Oklahoma.

B. *Federal Reserve Bank of San Francisco* (Keith Dudley, Vice President) 101 Market Street, San Francisco, California 94105-1579. Comments can also be sent electronically to SF.Supervision.Comments.Applications@sf.frb.org:

1. *FS Bancorp, Inc., Mountlake Terrace, Washington*; to acquire Pacific West Bancorp, and thereby indirectly acquire Pacific West Bank, both of West Linn, Oregon.

Board of Governors of the Federal Reserve System.

Michele Taylor Fennell,

Associate Secretary of the Board.

[FR Doc. 2026-09390 Filed 5-11-26; 8:45 am]

BILLING CODE P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Disease Control and Prevention

[60 Day-26-0879; Docket No. CDC-2026-0793]

Proposed Data Collection Submitted for Public Comment and Recommendations

AGENCY: Centers for Disease Control and Prevention (CDC), Department of Health and Human Services (HHS).

ACTION: Notice with comment period.

SUMMARY: The Centers for Disease Control and Prevention (CDC), as part of its continuing effort to reduce public burden and maximize the utility of government information, invites the general public and other Federal agencies to comment on a continuing information collection, as required by the Paperwork Reduction Act of 1995. This notice invites comment on a proposed information collection project titled Information Collections to Advance State, Tribal, Local and Territorial (STLT) Governmental Agency System Performance, Capacity, and Program Delivery. This Generic Clearance mechanism is used to facilitate situational awareness of current public health emergencies, make decisions that affect planning, response and recovery activities of subsequent emergencies, and fill CDC and HHS gaps in knowledge of programs and/or STLT governments that will strengthen surveillance, epidemiology, and laboratory science, as well as improve CDC's support and technical assistance to states and communities.

DATES: CDC must receive written comments on or before July 13, 2026.

ADDRESSES: You may submit comments, identified by Docket No. CDC-2026-0793 by either of the following methods:

- *Federal eRulemaking Portal:* www.regulations.gov. Follow the instructions for submitting comments.

- *Mail:* Jeffery M. Zirger, Lead, Information Collection Review Office, Centers for Disease Control and Prevention, 1600 Clifton Road NE, MS H21-8, Atlanta, Georgia 30329.

Instructions: All submissions received must include the agency name and Docket Number. CDC will post, without change, all relevant comments to www.regulations.gov.

Please note: Submit all comments through the Federal eRulemaking portal (www.regulations.gov) or by U.S. mail to the address listed above.

FOR FURTHER INFORMATION CONTACT: To request more information on the

proposed project or to obtain a copy of the information collection plan and instruments, contact Jeffery M. Zirger, Information Collection Review Office, Centers for Disease Control and Prevention, 1600 Clifton Road NE, MS H21-8, Atlanta, Georgia 30329; Telephone: 404-639-7570; Email: omb@cdc.gov.

SUPPLEMENTARY INFORMATION: Under the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501-3520), federal agencies must obtain approval from the Office of Management and Budget (OMB) for each collection of information they conduct or sponsor. In addition, the PRA also requires federal agencies to provide a 60-day notice in the **Federal Register** concerning each proposed collection of information, including each new proposed collection, each proposed extension of existing collection of information, and each reinstatement of previously approved information collection before submitting the collection to the OMB for approval. To comply with this requirement, we are publishing this notice of a proposed data collection as described below.

The OMB is particularly interested in comments that will help:

1. Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
2. Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
3. Enhance the quality, utility, and clarity of the information to be collected;
4. Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submissions of responses; and

5. Assess information collection costs.

Proposed Project

Information Collections to Advance State, Tribal, Local, and Territorial (STLT) Governmental Agency System Performance, Capacity, and Program Delivery (OMB Control No. 0920-0879, Exp. 08/31/2026)—Revision—National Center for State, Tribal, Local, and Territorial Public Health Infrastructure and Workforce (NCSTLTPIHW), Centers for Disease Control and Prevention (CDC).

Background and Brief Description

The mission of the Department of Health and Human Services (HHS) is to enhance the health and well-being of all Americans. As part of HHS, CDC conducts critical science and provides health information to people and communities to save lives and protect people from health threats. To this end, CDC and HHS seek to accomplish their mission by collaborating with partners throughout the nation and the world to monitor health, detect and investigate health problems, conduct research to enhance prevention, develop and advocate sound public health policies, implement prevention strategies, promote healthy behaviors, foster safe and healthful environments, and provide leadership and training.

In 2011, CDC obtained OMB approval to establish a Generic Clearance for the purpose of facilitating information collection related to domestic public health issues and services that affect and/or involve State, Tribal, Local, and Territorial (STLT) government entities. Since that time the Generic Clearance has been used to collect information supporting the work of a wide variety of CDC/ATSDR programs and STLT partnerships.

In 2026, CDC is seeking OMB approval to continue the Generic Clearance. There are no proposed changes to its purpose and scope, however, the requested number of responses and total burden hours will be reduced based on CDC review of past utilization and revised projections for

future use. As in previous approval cycles, the respondent universe will be comprised of STLT governmental staff or delegates acting on behalf of an STLT agency involved in the provision of essential public health services in the United States. Delegate is defined as a governmental or non-governmental agent (agency, function, office or individual) acting for a principal or submitted by another to represent or act on their behalf. The STLT agency is represented by an STLT entity or delegate with a task to protect and/or improve the public's health.

The information to be collected may be used to: (1) assess situational awareness of current public health emergencies; (2) make decisions that affect planning, response and recovery activities for subsequent emergencies; (3) fill CDC and HHS gaps in knowledge of programs and/or STLT governments that will strengthen surveillance, epidemiology, and laboratory science; and (4) improve CDC's support and technical assistance to states and communities.

CDC and HHS will conduct brief data collections across a range of public health topics related to essential public health services. CDC will continue to request OMB approval of each information collection under the generic by submitting a project-specific request that describes project purpose and methodology. CDC estimates up to 15 data collections with STLT governmental staff or delegates, and five data collections with local/county/city governmental staff or delegates will be conducted on an annual basis. The burden per response for each data collection activity is estimated to be one hour. Approximately 95% of these data collections will be web-based and 5% will be conducted through interviews or focus groups conducted by telephone, in-person, or virtually.

CDC requests OMB approval for three years. The total estimated annualized burden for all projects is 27,000 hours. There are no costs to respondents other than their time.

ESTIMATED ANNUALIZED BURDEN HOURS

Type of respondents	Form name	Number of respondents	Number of responses per respondent	Average burden per response (in hours)	Total burden (in hours)
State, Territorial, or Tribal government staff or delegates.	Web, paper, telephone or in-person survey, interview, or focus group.	800	15	1	12,000
Local, County, or City government staff or delegates.	Web, paper, telephone or in-person survey, interview, or focus group.	3,000	5	1	15,000
Total .....	.....				27,000

Jeffrey M. Zirger,

*Lead, Information Collection Review Office,
Office of Public Health Ethics and
Regulations, Office of Science, Centers for
Disease Control and Prevention.*

[FR Doc. 2026-09435 Filed 5-11-26; 8:45 am]

BILLING CODE 4163-18-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Disease Control and Prevention

[60 Day-26-0666; Docket No. CDC-2026-0761]

Proposed Data Collection Submitted for Public Comment and Recommendations

AGENCY: Centers for Disease Control and Prevention (CDC), Department of Health and Human Services (HHS).

ACTION: Notice with comment period.

SUMMARY: The Centers for Disease Control and Prevention (CDC), as part of its continuing effort to reduce public burden and maximize the utility of government information, invites the general public and other federal agencies the opportunity to comment on a continuing information collection, as required by the Paperwork Reduction Act of 1995. This notice invites comment on a proposed information collection project titled National Healthcare Safety Network (NHSN). NHSN is the nation's most widely used healthcare-associated infection tracking system that provides facilities, states, regions, and the nation with data needed to identify problem areas, measure progress of prevention efforts, and ultimately eliminate healthcare-associated infections.

DATES: CDC must receive written comments on or before July 13, 2026.

ADDRESSES: You may submit comments, identified by Docket No. CDC-2026-0761 by either of the following methods:

- *Federal eRulemaking Portal:* www.regulations.gov. Follow the instructions for submitting comments.
- *Mail:* Jeffrey M. Zirger, Information Collection Review Office, Centers for Disease Control and Prevention, 1600 Clifton Road NE, MS H21-8, Atlanta, Georgia 30329.

Instructions: All submissions received must include the agency name and Docket Number. CDC will post, without change, all relevant comments to www.regulations.gov.

Please note: Submit all comments through the Federal eRulemaking portal (www.regulations.gov) or by U.S. mail to the address listed above.

FOR FURTHER INFORMATION CONTACT: To request more information on the proposed project or to obtain a copy of the information collection plan and instruments, contact Jeffrey M. Zirger, Information Collection Review Office, Centers for Disease Control and Prevention, 1600 Clifton Road NE, MS H21-8, Atlanta, Georgia 30329; Telephone: 404-639-7570; Email: omb@cdc.gov.

SUPPLEMENTARY INFORMATION: Under the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501-3520), federal agencies must obtain approval from the Office of Management and Budget (OMB) for each collection of information they conduct or sponsor. In addition, the PRA also requires federal agencies to provide a 60-day notice in the **Federal Register** concerning each proposed collection of information, including each new proposed collection, each proposed extension of existing collection of information, and each reinstatement of previously approved information collection before submitting the collection to the OMB for approval. To comply with this requirement, we are publishing this notice of a proposed data collection as described below.

The OMB is particularly interested in comments that will help:

1. Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
2. Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
3. Enhance the quality, utility, and clarity of the information to be collected;
4. Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submissions of responses; and
5. Assess information collection costs.

Proposed Project

National Healthcare Safety Network (NHSN) (OMB Control No. 0920-0666, Exp. 3/31/2029)—Revision—National Center for Emerging and Zoonotic Infection Diseases (NCEZID), Centers for Disease Control and Prevention (CDC).

Background and Brief Description

The Division of Healthcare Quality Promotion (DHQP), National Center for

Emerging and Zoonotic Infectious Diseases (NCEZID), Centers for Disease Control and Prevention (CDC) collects data from healthcare facilities in the National Healthcare Safety Network (NHSN) under OMB Control Number 0920-0666. CDC's NHSN is the nation's most widely used healthcare-associated infection tracking system. NHSN provides facilities, states, regions, and the nation with data needed to identify problem areas, measure progress of prevention efforts, and ultimately eliminate healthcare-associated infections. In addition, NHSN allows healthcare facilities to track blood safety errors and important healthcare process measures such as healthcare personnel influenza vaccine status and infection control adherence rates.

NHSN provides medical facilities, states, regions, and the nation with data collection and reporting capabilities needed to:

- identify infection prevention problems by facility, state, or specific quality improvement project
- benchmark progress of infection prevention efforts
- comply with state and federal public reporting mandates, and ultimately,
- drive national progress toward elimination of HAIs.

NHSN serves over 25,000 medical facilities including acute care hospitals, long-term acute care hospitals, psychiatric hospitals, rehabilitation hospitals, outpatient dialysis centers, ambulatory surgery centers, and nursing homes. Additionally, healthcare facilities in five U.S. territories (Puerto Rico, American Samoa, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands) are voluntarily reporting to NHSN.

While ensuring data security, integrity, and confidentiality, NHSN gives healthcare facilities the ability to see their data in real-time and share that information with clinicians and facility leadership, as well as with other facilities (e.g., a multihospital system) and partners such as health departments or quality improvement organizations. CDC provides the standard national measures for HAIs as well as analytic tools that enable each facility to assess its progress and identify where additional efforts are needed. In addition, NHSN is the conduit for facilities to comply with Centers for Medicare and Medicaid Services (CMS) infection reporting requirements.

The ICR previously approved in March 2026 for 5,896,801 responses, 4,509,135 burden hours and \$263,651,599 in annual cost. The proposed changes in this new ICR

include revisions to 72 existing data collection forms. These revisions include the addition, modification, or

removal of certain questions and the adjustment of burden to more accurately reflect the time needed to respond to the

NHSN modules. In this Revision, CDC requests OMB approval for an estimated 3,519,732 annual burden hours.

ESTIMATED ANNUALIZED BURDEN HOURS

Type of respondents	Form number & name	Number of respondents	Number of responses per respondent	Average burden per response (hours)	Total burden (hours)
Infection Preventionist/ Microbiologist.	57.100 NHSN Registration Form	2,000	1	5	167
Infection Preventionist/ Microbiologist.	57.101 Facility Contact Information	2,000	1	10	333
Infection Preventionist/ Microbiologist.	57.102 NHSN Help Desk Customer Satisfaction Survey.	26,400	1	2	880
Infection Preventionist/ Microbiologist.	57.103 Patient Safety Component-Annual Hospital Survey.	5,400	1	145	13,050
Infection Preventionist/ Microbiologist.	57.104 NHSN Facility Administrator Change Request Form.	800	1	5	67
Epidemiologists	57.105 Group Contact Information	1,000	1	5	83
Infection Preventionist/ Microbiologist.	57.106 Patient Safety Monthly Reporting Plan ...	7,821	12	15	23,463
Infection Preventionist/ Microbiologist.	57.108 Primary Bloodstream Infection (BSI)	6,000	12	45	54,000
Infection Preventionist/ Microbiologist.	57.111 Pneumonia (PNEU)	150	2	33	165
Infection Preventionist/ Microbiologist.	57.112 Ventilator-Associated Event (VAE)	5,463	8	31	22,580
Infection Preventionist/ Microbiologist.	57.113 Pediatric Ventilator-Associated Event (PedVAE).	334	1	33	184
Infection Preventionist/ Microbiologist.	57.114 Urinary Tract Infection (UTI)	6,000	12	25	30,000
Infection Preventionist/ Microbiologist.	57.115 Custom Event	600	91	38	34,580
Infection Preventionist/ Microbiologist.	57.116 Denominators for Neonatal Intensive Care Unit (NICU).	1,100	12	240	52,800
Infection Preventionist/ Microbiologist.	57.117 Denominators for Specialty Care Area (SCA)/Oncology (ONC).	500	12	300	30,000
Infection Preventionist/ Microbiologist.	57.118 Denominators for Intensive Care Unit (ICU)/Other locations (not NICU or SCA).	5,500	60	300	1,650,000
Infection Preventionist/ Microbiologist.	57.120 Surgical Site Infection (SSI)	3,800	12	13	9,880
Infection Preventionist/ Microbiologist.	57.121 Denominator for Procedure	3,800	12	13	9,880
Epidemiologists	57.122 HAI Progress Report State Health Department Survey.	55	1	50	46
Pharmacist	57.123 Antimicrobial Use and Resistance (AUR)—Microbiology Data Electronic Upload Specification Tables—Initial Set-up.	1,200	1	4,800	96,000
Pharmacist	57.123 Antimicrobial Use and Resistance (AUR)—Microbiology Data Electronic Upload Specification Tables—Yearly Maintenance.	4,300	2	120	17,200
Pharmacist	57.123 Antimicrobial Use and Resistance (AUR)—Microbiology Data Electronic Upload Specification Tables—Monthly.	5,500	12	5	5,500
Pharmacist	57.124 Antimicrobial Use and Resistance (AUR)—Pharmacy Data Electronic Upload Specification Tables—Initial Set-up.	800	1	2,400	32,000
Pharmacist	57.124 Antimicrobial Use and Resistance (AUR)VPPharmacy Data Electronic Upload Specification Tables—Yearly Maintenance.	4,700	1	120	9,400
Pharmacist	57.124 Antimicrobial Use and Resistance (AUR)—Pharmacy Data Electronic Upload Specification Tables—Monthly.	5,500	12	5	5,500
Infection Preventionist/ Microbiologist.	57.126 MDRO or CDI Infection Form	720	12	33	4,752
Infection Preventionist/ Microbiologist.	57.127 MDRO and CDI Prevention Process and Outcome Measures Monthly Monitoring.	5,500	29	15	39,875
Infection Preventionist/ Microbiologist.	57.128 Laboratory-identified MDRO or CDI Event.	4,800	12	23	22,080
Infection Preventionist/ Microbiologist.	57.129 Adult Sepsis	50	12	28	280
Infection Preventionist/ Microbiologist.	57.130 Infectious Diseases of Public Health Concern.	1,825	365	35	388,573

ESTIMATED ANNUALIZED BURDEN HOURS—Continued

Type of respondents	Form number & name	Number of respondents	Number of responses per respondent	Average burden per response (hours)	Total burden (hours)
Infection Preventionist/ Microbiologist.	57.130 Infectious Diseases of Public Health Concern.	1,825	365	5	55,510
Information Technology	57.132 Patient Safety Component Digital Measure Reporting Plan (HOB, HT-CDI, Adult Sepsis, RPS, HYPO, LOSMEN)—IT Initial Set up.	4,980	1	1,500	124,500
Information Technology	57.132 Patient Safety Component Digital Measure Reporting Plan (HOB, HT-CDI, Adult Sepsis, RPS, HYPO, LOSMEN)—IT Yearly Maintenance.	20	1	1,200	400
Information Technology	57.132 Patient Safety Component Digital Measure Reporting Plan (RPS ONLY Daily FHIR Submission)—IT Initial Set Up.	495	1	1,000	8,250
Information Technology	57.132 Patient Safety Component Digital Measure Reporting Plan (RPS ONLY Daily FHIR Submission)—Yearly Maintenance.	5	1	800	67
Infection Preventionist/ Microbiologist.	57.132 Patient Safety Component Digital Measure Reporting Plan (HOB, HT-CDI, Adult Sepsis, RPS, HYPO, LOSMEN, Claims Data)—Infection Preventionist.	5,500	1	8	733
Infection Preventionist/ Microbiologist.	57.132 Patient Safety Digital Reporting Plan (RPS CSV).	25	365	2	304
Infection Preventionist/ Microbiologist.	57.133 Patient Safety Attestation	3,500	1	10	583
Infection Preventionist/ Microbiologist.	57.137 Long-Term Care Facility Component—Annual Facility Survey.	6,270	1	135	14,108
Infection Preventionist/ Microbiologist.	57.138 Laboratory-identified MDRO or CDI Event for LTCF.	286	24	22	2,517
Infection Preventionist/ Microbiologist.	57.139 MDRO and CDI Prevention Process Measures Monthly Monitoring for LTCF.	738	12	10	1,476
Infection Preventionist/ Microbiologist.	57.140 Urinary Tract Infection (UTI) for LTCF	373	24	37	5,520
Infection Preventionist/ Microbiologist.	57.141 Monthly Reporting Plan for LTCF	546	12	5	546
Infection Preventionist/ Microbiologist.	57.142 Denominators for LTCF Locations	724	12	35	5,068
Infection Preventionist/ Microbiologist.	57.143 Prevention Process Measures Monthly Monitoring for LTCF.	434	12	5	434
Infection Preventionist/ Microbiologist.	57.145 Long Term Care Antimicrobial Use (LTC-AU) Module—Digital Upload Specification Tables.	16,500	12	5	16,500
Infection Preventionist/ Microbiologist.	57.150 LTAC Annual Survey	395	1	99	652
Infection Preventionist/ Microbiologist.	57.151 Rehab Annual Survey	395	1	83	546
Occupational Health RN/ Specialist.	57.211 Weekly Healthcare Personnel Influenza Vaccination Cumulative Summary for Non-Long-Term Care Facilities—Manual.	117	12	25	585
Occupational Health RN/ Specialist.	57.214 Annual Healthcare Personnel Influenza Vaccination Summary—Manual.	22,440	1	120	44,880
Occupational Health RN/ Specialist.	57.214 Annual Healthcare Personnel Influenza Vaccination Summary—CSV.	1,920	1	55	1,760
Occupational Health RN/ Specialist.	57.215 Seasonal Survey on Influenza Vaccination Programs for Healthcare Personnel.	15,426	1	45	11,570
Medical/Clinical Laboratory Technologist.	57.300 Hemovigilance Module Annual Survey ...	57	1	30	29
Medical/Clinical Laboratory Technologist.	57.301 Adverse Reaction Investigation Form	47	5	20	78
Medical/Clinical Laboratory Technologist.	57.302 Transfusion Transmitted Infections (TTI) Rapid Alert Form.	3	1	7	1
Medical/Clinical Laboratory Technologist.	57.303 Transfusion Transmitted Infections (TTI) Investigation Form.	3	1	60	3
Infection Preventionist/ Microbiologist.	57.400 Outpatient Procedure Component—Annual Ambulatory Surgery Center Survey.	350	1	10	58
Infection Preventionist/ Microbiologist.	57.401 Outpatient Procedure Component—Monthly Reporting Plan.	350	12	10	700
Infection Preventionist/ Microbiologist.	57.402 Outpatient Procedure Component Same Day Outcome Measures.	50	1	42	35

ESTIMATED ANNUALIZED BURDEN HOURS—Continued

Type of respondents	Form number & name	Number of respondents	Number of responses per respondent	Average burden per response (hours)	Total burden (hours)
Infection Preventionist/ Microbiologist.	57.403 Outpatient Procedure Component—Denominators for Same Day Outcome Measures.	50	400	20	6,667
Infection Preventionist/ Microbiologist.	57.404 Outpatient Procedure Component—SSI Denominator.	300	100	22	11,000
Infection Preventionist/ Microbiologist.	57.405 Outpatient Procedure Component—Surgical Site (SSI) Event.	300	36	39	7,020
Infection Preventionist/ Microbiologist.	57.408 Monthly Survey Patient Days & Nurse Staffing.	2,500	12	300	150,000
Infection Preventionist/ Microbiologist.	57.500 Outpatient Dialysis Center Practices Survey.	6,900	1	153	17,595
Infection Preventionist/ Microbiologist.	57.501 Dialysis Monthly Reporting Plan	7,400	12	5	7,400
Infection Preventionist/ Microbiologist.	57.502 Dialysis Event	7,400	30	50	185,000
Infection Preventionist/ Microbiologist.	57.503 Denominator for Outpatient Dialysis	7,400	12	10	14,800
Infection Preventionist/ Microbiologist.	57.504 Prevention Process Measures Monthly Monitoring for Dialysis.	1,730	12	60	20,760
Infection Preventionist/ Microbiologist.	57.507 Home Dialysis Center Practices Survey	550	1	65	596
Infection Preventionist/ Microbiologist.	57.600 Neonatal Component Late Onset Sepsis Meningitis (LOSMEN) Module FHIR/CDA Digital Measure Reporting Plan—Infection Preventionist.	5,500	12	2	2,200
Infection Preventionist/ Microbiologist.	57.601 Late Onset Sepsis/Meningitis Denominator Form: Late Onset Sepsis/Meningitis Denominator Form: Data Table for monthly electronic upload.	300	6	5	150
Infection Preventionist/ Microbiologist.	57.602 Late Onset Sepsis/Meningitis Event Form: Data Table for Monthly Electronic Upload.	300	6	5	150
Infection Preventionist/ Microbiologist.	57.700 Medication Safety-Digital Measure Reporting Plan (HYPO)—Infection Preventionist.	5,500	1	5	458
Infection Preventionist/ Microbiologist.	57.701 Medication Safety Component—Annual Hospital Survey.	10	1	150	25
Registered Nurse	57.800 Claims Data Upload	5,500	12	5	5,500
Information Technology	57.800 Claims Data—Initial IT Set-Up	5,500	1	45	4,125
Infection Preventionist/ Microbiologist.	57.800 Patient Safety Component Claims Data Reporting Plan—IT Initial Set Up.	5,500	1	30	2,750
Epidemiologist	57.801 External Validation Summary Report	20	2	15	10
Information Technology	57.802 Bed Capacity—IT Initial Set Up	25	1	20	8
Information Technology	57.803 Daily Facility Operating Status	3,826	730	5	232,748
Information Technology	57.900 NHSN FHIR digital Quality Measures (dQMs) Facility Technical Assessment for NHSNLink UI.	50	1	25	21
Information Technology	57.901 NHSNCoLab Pilot Site Demographics	21	1	25	9
Information Technology	57.902 NHSNCoLab Pilot Site Technical Assessment.	21	1	25	9
Total .....	.....	.....	.....	.....	3,519,732

Jeffrey M. Zirger,

Lead, Information Collection Review Office,
Office of Public Health Ethics and
Regulations, Office of Science, Centers for
Disease Control and Prevention.

[FR Doc. 2026–09434 Filed 5–11–26; 8:45 am]

BILLING CODE 4163–18–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Disease Control and Prevention

[60 Day–26–1317; Docket No. CDC–2026–
0760]

Proposed Data Collection Submitted for Public Comment and Recommendations

AGENCY: Centers for Disease Control and
Prevention (CDC), Department of Health
and Human Services (HHS).

ACTION: Notice with comment period.

SUMMARY: The Centers for Disease
Control and Prevention (CDC), as part of
its continuing effort to reduce public
burden and maximize the utility of
government information, invites the
public and other federal agencies to
comment on a continuing information
collection, as required by the Paperwork
Reduction Act of 1995. This notice
invites comment on a proposed
information collection project titled
National Healthcare Safety Network
(NHSN) Respiratory Data. The NHSN

Respiratory Data collection provides situational awareness of the impact of respiratory diseases including information about COVID-19, influenza, and respiratory syncytial virus (RSV).

DATES: CDC must receive written comments on or before July 13, 2026.

ADDRESSES: You may submit comments, identified by Docket No. CDC-2026-0760 by either of the following methods:

- *Federal eRulemaking Portal:* www.regulations.gov. Follow the instructions for submitting comments.
- *Mail:* Jeffrey M. Zirger, Information Collection Review Office, Centers for Disease Control and Prevention, 1600 Clifton Road NE, MS H21-8, Atlanta, Georgia 30329.

Instructions: All submissions received must include the agency name and Docket Number. CDC will post, without change, all relevant comments to www.regulations.gov.

Please note: Submit all comments through the Federal eRulemaking portal (www.regulations.gov) or by U.S. mail to the address listed above.

FOR FURTHER INFORMATION CONTACT: To request more information on the proposed project or to obtain a copy of the information collection plan and instruments, contact Jeffrey M. Zirger, Information Collection Review Office, Centers for Disease Control and Prevention, 1600 Clifton Road NE, MS H21-8, Atlanta, Georgia 30329; Telephone: 404-639-7570; Email: omb@cdc.gov.

SUPPLEMENTARY INFORMATION: Under the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501-3520), federal agencies must obtain approval from the Office of Management and Budget (OMB) for each collection of information they conduct or sponsor. In addition, the PRA also requires federal agencies to provide a

60-day notice in the **Federal Register** concerning each proposed collection of information, including each new proposed collection, each proposed extension of existing collection of information, and each reinstatement of previously approved information collection before submitting the collection to the OMB for approval. To comply with this requirement, we are publishing this notice of a proposed data collection as described below.

The OMB is particularly interested in comments that will help:

1. Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
2. Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
3. Enhance the quality, utility, and clarity of the information to be collected;
4. Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submissions of responses; and
5. Assess information collection costs.

Proposed Project

National Healthcare Safety Network (NHSN) Respiratory Data (OMB Control No. 0920-1317, Exp. 1/31/2028)—Revision—National Center for Emerging and Zoonotic Infection Diseases (NCEZID), Centers for Disease Control and Prevention (CDC).

Background and Brief Description

The Division of Healthcare Quality Promotion (DHQP), National Center for Emerging and Zoonotic Infectious Diseases (NCEZID), Centers for Disease Control and Prevention (CDC) collects respiratory virus data from healthcare facilities in the National Healthcare Safety Network (NHSN) under OMB Control Number 0920-1317. CDC's NHSN Hospital Respiratory Data collection will provide situational awareness of the impact of respiratory diseases. Reporting will include information about COVID-19, influenza, and respiratory syncytial virus (RSV). CDC will continue to report hospital respiratory data publicly to permit the recognition of trends at the local, state, and national levels. These data will complement data that CDC collects and disseminates from other sources, such as wastewater, laboratory, and emergency department data, to help ensure there are robust systems to detect and monitor threats and keep the public informed about threats in their area, as well as informing flu and COVID-19 forecasting efforts.

The NHSN Respiratory Data collection was previously approved in February 2026 for 3,323,021 responses and 1,558,384 burden hours. The proposed changes in this new ICR include revisions to 10 existing data collection forms. These revisions include the addition, modification, or removal of certain questions and the adjustment of burden to more accurately reflect the time needed to respond to the NHSN modules. In this Revision, CDC requests OMB approval for an estimated annual burden of 1,697,390 hours.

ESTIMATED ANNUALIZED BURDEN HOURS

Type of respondent	Form number	Form	Number of respondents	Number of responses per respondent	Average burden per response (in hours)	Total burden hours
Microbiologist	57.101	Hospital Respiratory Data Form (Weekly) (user entry).	1,148	52	202	200,977
Microbiologist	57.101	Hospital Respiratory Data Form (Weekly) (.csv import).	3,444	52	29	86,559
Information Technology.	57.101	Hospital Respiratory Data Form (Weekly) (API).	1,786	52	15	23,218
Microbiologist	57.102	Hospital Respiratory Data Form (Daily) (user entry).	492	365	58	173,594
Microbiologist	57.102	Hospital Respiratory Data Form (Daily) (.csv import).	1,476	365	29	260,391
Information Technology.	57.102	Hospital Respiratory Data Form (Daily) (API).	765	365	15	69,806
Microbiologist	57.140	National Healthcare Safety Network (NHSN) Registration Form.	11,500	1	5	958
Microbiologist	57.155	Point of Care Testing Results—Manual	3,135	150	11	86,213
Microbiologist	57.155	Point of Care Testing Results—CSV	3,135	150	11	86,213

ESTIMATED ANNUALIZED BURDEN HOURS—Continued

Type of respondent	Form number	Form	Number of respondents	Number of responses per respondent	Average burden per response (in hours)	Total burden hours
Microbiologist	57.216	Optional Person-Level Reporting of Weekly Respiratory Pathogens Vaccination for Long-Term Care Residents—LTCF Component (manual).	1,071	52	61	56,620
Information Technology.	57.216	Optional Person-Level Reporting of Weekly Respiratory Pathogens Vaccination for Long-Term Care Residents—LTCF Component (.csv).	119	52	63	6,497
Microbiologist	57.217	Optional Person-Level Reporting of Weekly COVID-19 Vaccination for Healthcare Personnel—HPS and LTCF Components (manual).	1,159	12	61	14,140
Information Technology.	57.217	Optional Person-Level Reporting of Weekly COVID-19 Vaccination for Healthcare Personnel—HPS and LTCF Components (.csv).	129	12	63	1,625
Microbiologist	57.218	Weekly Respiratory Pathogen and Vaccination Summary for Residents of Long-Term Care Facilities (manual).	11,725	52	36	365,820
Information Technology.	57.218	Weekly Respiratory Pathogen and Vaccination Summary for Residents of Long-Term Care Facilities (csv).	1,632	52	36	50,918
Microbiologist	57.219	Healthcare Personnel COVID-19 Vaccination Cumulative Summary (manual)—LTC and HPS.	13,328	12	45	119,952
Information Technology.	57.219	Healthcare Personnel COVID-19 Vaccination Cumulative Summary (.csv).	7,501	12	45	67,509
Microbiologist	57.509	Weekly Patient COVID-19 Vaccination Cumulative Summary for Dialysis Facilities—Manual.	107	12	45	963
Microbiologist	57.509	Weekly Patient COVID-19 Vaccination Cumulative Summary for Dialysis Facilities—CSV.	2,802	12	40	22,416
Microbiologist	57.510	COVID-19 Module Dialysis Outpatient Facility—manual.	500	12	20	2,000
Microbiologist	57.510	COVID-19 Module Dialysis Outpatient Facility—.csv.	500	12	10	1,000
Total .....	.....	.....				1,697,390

Jeffrey M. Zirger,

Lead, Information Collection Review Office, Office of Public Health Ethics and Regulations, Office of Science, Centers for Disease Control and Prevention.

[FR Doc. 2026–09436 Filed 5–11–26; 8:45 am]

BILLING CODE 4163–18–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Disease Control and Prevention

[30 Day–26–1408]

Agency Forms Undergoing Paperwork Reduction Act Review

In accordance with the Paperwork Reduction Act of 1995, the Centers for Disease Control and Prevention (CDC) received approval from the Office of Management and Budget (OMB) to conduct the National Center for Health

Statistics (NCHS) Rapid Surveys System (RSS), which includes fielding several surveys per year. The June 30, 2023 clearance approved the Round 1 survey. Seven subsequent rounds of the RSS were additionally approved. In accordance with the Terms of Clearance, NCHS will publish a 30-day **Federal Register** Notice announcing each new survey so that public comments can be received about the specific content of each survey. This notice includes specific details about the questions that would be asked in the ninth round of the RSS and serves to allow 30 days for public and affected agency comments, consistent with OMB's terms of clearance.

CDC will accept all comments for this proposed information collection project. The Office of Management and Budget is particularly interested in comments that:

(a) Evaluate whether the proposed collection of information is necessary

for the proper performance of the functions of the agency, including whether the information will have practical utility;

(b) Evaluate the accuracy of the agencies estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;

(c) Enhance the quality, utility, and clarity of the information to be collected;

(d) Minimize the burden of the collection of information on those who are to respond, including, through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses; and

(e) Assess information collection costs.

To request additional information on the proposed project or to obtain a copy

of the information collection plan and instruments, call (404) 639-7570. Comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting “Currently under 30-day Review—Open for Public Comments” or by using the search function. Direct written comments and/or suggestions regarding the items contained in this notice to the Attention: CDC Desk Officer, Office of Management and Budget, 725 17th Street NW, Washington, DC 20503 or by fax to (202) 395-5806. Provide written comments within 30 days of notice publication.

Proposed Project

National Center for Health Statistics (NCHS) Rapid Surveys System (RSS) Round 9 (OMB Control No. 0920-1408) National Center for Health Statistics (NCHS), Centers for Disease Control and Prevention (CDC).

Background and Brief Description

Section 306 of the Public Health Service (PHS) Act (42 U.S.C.), as amended, authorizes that the Secretary of Health and Human Services (HHS), acting through NCHS, collect data about the health of the population of the United States. The RSS (OMB control No. 0920-1408) collects data on emerging public health topics, attitudes, and behaviors using cross-sectional samples from two commercially available, national probability-based online panels. The RSS then combines these data to form estimates that approximate national representation in ways that many data collection approaches cannot. The RSS collects data in contexts in which decision makers’ need for time-sensitive data of known quality about emerging and priority health concerns is a higher priority than their need for statistically unbiased estimates.

The RSS complements NCHS’s current household survey systems. As quicker turnaround surveys that require less accuracy and precision than CDC’s more rigorous population representative surveys, the RSS incorporates multiple

mechanisms to carefully evaluate the resulting survey data for their appropriateness for use in public health surveillance and research (e.g., hypothesis generating) and facilitate continuous quality improvement by supplementing these panels with intensive efforts to understand how well the estimates reflect populations at most risk. The RSS data dissemination strategy communicates the strengths and limitations of data collected through online probability panels as compared to more robust data collection methods.

The RSS has three major goals: (1) to provide CDC and other partners with time-sensitive data of known quality about emerging and priority health concerns; (2) to use these data collections to continue NCHS’s evaluation of the quality of public health estimates generated from commercial online panels; and (3) to improve methods to communicate the appropriateness of public health estimates generated from commercial online panels. The RSS is designed to have several rounds of data collection each year with data being collected by two contractors with probability panels. A cross-sectional nationally representative sample will be drawn from the online probability panel maintained by each of the contractors. As part of the base (minimum sample size), each round of data collection will collect 2,000 responses per quarter. The RSS can be expanded by increasing the number of completed responses per round or the number of rounds per year as needed up to a maximum of 28,000 responses per year per contractor or 56,000 total responses per year. Additionally, each data collection may include up to 2,000 additional responses per quarter (8,000 for the year) to improve representativeness. This increases the maximum burden by up to 16,000 responses per year. The RSS may also target individual surveys to collect data only from specific subgroups within existing survey panels and may supplement data collection for such groups with additional respondents from other probability or nonprobability samples. An additional 12,000 responses per year may be used for these developmental activities.

Each round’s questionnaire will consist of four main components: (1) basic demographic information on respondents to be used as covariates in analyses; (2) new, emerging, or supplemental content proposed by NCHS, other CDC Centers, Institute, and Offices, and other HHS agencies; (3) questions used for calibrating the survey weights; and (4) additional content selected by NCHS to evaluate against relevant benchmarks. NCHS will use questions from Components 1 and 2 to provide relevant, timely data on new, emerging, and priority health topics to be used for decision making. NCHS will use questions from Components 3 and 4 to weight and evaluate the quality of the estimates coming from questions in Components 1 and 2. NCHS submits a 30-day **Federal Register** Notice with information on the contents of each round of data collection.

NCHS calibrates survey weights from the RSS to gold standard surveys. Questions used for calibration in this round of RSS will include social and work limitation, health information technology use, telephone use, language used at home, and civic engagement. All of these questions have been on the National Health Interview Survey (NHIS) in prior years allowing calibration to these data.

Finally, all RSS rounds will include several questions that were previously on NHIS or other suitable federal surveys for benchmarking to evaluate data quality. Panelists in the RSS will be asked about health status, chronic conditions, disability, whole person health, social support and loneliness, social connectivity and isolation, social parenting support, symptoms of depression and anxiety (PHQ-2 and GAD-2), immunization, body mass index, nicotine use, social determinants of health, and health care access and utilization. The estimated total annual burden hours for the three-year approval period remains at 28,079 burden hours. The NCHS RSS Round 9 (2026) data collection is based on 8,000 complete surveys and 20 cognitive interviews for a total of 2,687 hours. There are no costs to respondents other than their time.

ESTIMATED ANNUALIZED BURDEN HOURS

Type of respondents	Form name	Number of respondents	Number of responses per respondent	Average burden per response (in hours)
Adults 18+	Survey: NCHS	8,000	1	20/60
Adults 18+	RSS Round 9			
Adults 18+	Cognitive Interviews	20	1	1

Jeffrey M. Zirger,

Lead, Information Collection Review Office,
Office of Public Health Ethics and
Regulations, Office of Science, Centers for
Disease Control and Prevention.

[FR Doc. 2026-09433 Filed 5-11-26; 8:45 am]

BILLING CODE 4163-18-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[Document Identifier: CMS-10476 and CMS-
R-282]

Agency Information Collection Activities: Submission for OMB Review; Comment Request

AGENCY: Centers for Medicare &
Medicaid Services, Health and Human
Services (HHS).

ACTION: Notice.

SUMMARY: The Centers for Medicare & Medicaid Services (CMS) is announcing an opportunity for the public to comment on CMS' intention to collect information from the public. Under the Paperwork Reduction Act of 1995 (PRA), federal agencies are required to publish notice in the **Federal Register** concerning each proposed collection of information, including each proposed extension or reinstatement of an existing collection of information, and to allow a second opportunity for public comment on the notice. Interested persons are invited to send comments regarding the burden estimate or any other aspect of this collection of information, including the necessity and utility of the proposed information collection for the proper performance of the agency's functions, the accuracy of the estimated burden, ways to enhance the quality, utility, and clarity of the information to be collected, and the use of automated collection techniques or other forms of information technology to minimize the information collection burden.

DATES: Comments on the collection(s) of information must be received by the OMB desk officer by June 11, 2026.

ADDRESSES: Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting "Currently under 30-day Review—Open for Public Comments" or by using the search function.

To obtain copies of a supporting statement and any related forms for the

proposed collection(s) summarized in this notice, please access the CMS PRA website by copying and pasting the following web address into your web browser: <https://www.cms.gov/Regulations-and-Guidance/Legislation/PaperworkReductionActof1995/PRA-Listing>

FOR FURTHER INFORMATION CONTACT:

William Parham at (410) 786-4669.

SUPPLEMENTARY INFORMATION: Under the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501-3520), federal agencies must obtain approval from the Office of Management and Budget (OMB) for each collection of information they conduct or sponsor. The term "collection of information" is defined in 44 U.S.C. 3502(3) and 5 CFR 1320.3(c) and includes agency requests or requirements that members of the public submit reports, keep records, or provide information to a third party. Section 3506(c)(2)(A) of the PRA (44 U.S.C. 3506(c)(2)(A)) requires federal agencies to publish a 30-day notice in the **Federal Register** concerning each proposed collection of information, including each proposed extension or reinstatement of an existing collection of information, before submitting the collection to OMB for approval. To comply with this requirement, CMS is publishing this notice that summarizes the following proposed collection(s) of information for public comment.

Information Collection

1. *Type of Information Collection Request:* Extension of a currently approved collection; *Title of Information Collection:* Medical Loss Ratio (MLR) for Medicare Advantage (MA) Plans and Prescription Drug Plans (PDP); *Use:* Sections 1857(e)(4) and 1860D-12 of the Social Security Act (which incorporates section 1857(e)(4) by reference), and implementing regulations at 42 CFR part 422, subpart X, and part 423, subpart X, set forth a requirement that Medicare Advantage (MA) organizations and Part D Prescription Drug Plan (PDP) sponsors report the medical loss ratio (MLR) for each MA or Part D contract to CMS for each contract year, and that such MLRs must meet a statutory standard of 85 percent. MA organizations and Part D sponsors are subject to sanctions for failure to meet the 85 percent minimum MLR requirement, including remittance of funds to CMS, a prohibition on enrolling new members, and, ultimately, contract termination. CMS uses the submitted information to determine whether an MA or Part D contract has satisfied the minimum MLR requirement with respect to a contract

year, and whether the contract must remit funds to CMS and/or face additional sanctions. *Form Number:* CMS-10476 (OMB control number: 0938-1232); *Frequency:* Yearly; *Affected Public:* Business or other for profits and Not for profits institutions; *Number of Respondents:* 660; *Total Annual Responses:* 660; *Total Annual Hours:* 40,356. (For policy questions regarding this collection contact Deven Gosalia at 410-786-8264.)

2. *Type of Information Collection*

Request: Extension of a currently approved collection; *Title of Information Collection:* Medicare Advantage Appeals and Grievance Data Form; *Use:* Part 422 of Title 42 of the Code of Federal Regulations (CFR) distinguishes between certain information a Medicare Advantage (MA) organization must provide to each enrollee (on an annual basis) and information that the MA organization must disclose to any MA eligible individual (upon request). This requirement can be found in § 1852(c)(2)(C) of the Social Security Act and in 42 CFR 422.111(c)(3) which states that MA organizations must disclose information pertaining to the number of disputes, and their disposition in the aggregate, with the categories of grievances and appeals, to any individual eligible to elect an MA organization who requests this information. Medicare demonstrations also are required to conform to MA appeals regulations and thus are included in the count of organizations. Such demonstrations, as well as MA organizations, are collectively referred to as "MA plans" in this Supporting Statement. Data collection/disclosure categories are based on the MA plan's grievance and appeals processes as prescribed under 42 CFR part 422, subpart M. *Form Number:* CMS-R-282 (OMB control number: 0938-0778); *Frequency:* Semi-annually; *Affected Public:* Private Sector. Business or other for profits and Not for profits institutions; *Number of Respondents:* 932; *Total Annual Responses:* 67,432; *Total Annual Hours:* 6,252. (For policy questions regarding this collection contact Sabrina Edmonston at 410-786-3209.)

William N. Parham, III,

Director, Division of Information Collections
and Regulatory Impacts, Office of Strategic
Operations and Regulatory Affairs.

[FR Doc. 2026-09330 Filed 5-11-26; 8:45 am]

BILLING CODE 4120-01-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[Document Identifier: CMS–10434 #15]

Medicaid and Children's Health Insurance Program (CHIP) Generic Information Collection Activities: Proposed Collection; Reopening of Comment Period

AGENCY: Centers for Medicare & Medicaid Services (CMS), Health and Human Services (HHS).

ACTION: Notice; reopening of comment period.

SUMMARY: The Centers for Medicare & Medicaid Services (CMS) is reopening the comment period for a limited time for a collection of information notice that published in the **Federal Register** on April 22, 2026. The notice is entitled “Medicaid and Children's Health Insurance Program (CHIP) Generic Information Collection Activities: Proposed Collection; Comment Request”. CMS is taking this action to address an inadvertent issue with posting one of the collection's revised templates (S89—Citizenship and Noncitizen Eligibility) under Medicaid State Plan Eligibility. While the April 22 notice provided the public with 14-days to comment, we are reopening the comment period for 12 days—the duration of the inaccurate posting.

DATES: The comment period for the notice that published on April 22, 2026 (91 FR 21505) is reopened. Comments must be received by May 26, 2026.

ADDRESSES: When commenting, please reference the applicable form number (CMS–10434 #15) and the OMB control number (0938–1188). To be assured consideration, comments and recommendations must be submitted in any one of the following ways:

1. *Electronically.* You may send your comments electronically to <http://www.regulations.gov>. Follow the instructions for “Comment or Submission” or “More Search Options” to find the information collection document(s) that are accepting comments.

2. *By regular mail.* You may mail written comments to the following address: CMS, Office of Strategic Operations and Regulatory Affairs, Division of Regulations Development, Attention: CMS–10434 #15/OMB control number: 0938–1188, Room C4–26–05, 7500 Security Boulevard, Baltimore, MD 21244–1850.

To obtain copies of a supporting statement and any related forms for the

proposed collection(s) summarized in this notice, please access the CMS PRA website by copying and pasting the following web address into your web browser: <https://www.cms.gov/medicare/regulations-guidance/legislation/paperwork-reduction-act-1995/pralisting>.

FOR FURTHER INFORMATION CONTACT: William N. Parham at 410–786–4669.

SUPPLEMENTARY INFORMATION: On April 22, 2026 (91 FR 21505), CMS published a notice in the **Federal Register** that requested comment from interested parties on the revision of an active collection of information that had been approved by the Office of Management and Budget (OMB) under control number 0938–1188 (CMS–10434 #15) entitled “Medicaid State Plan Eligibility”. The notice provided a 14-day comment period, which closed on May 6, 2026.

CMS is reopening the comment period to address an inadvertent issue with posting one of the collection's revised State Plan templates (RU S89—Citizenship and Noncitizen Eligibility (version 04 2026)). This iteration proposes substantive changes to the template that are related to section 71109 of the Working Families Tax Cut (WFTC) legislation which limits federal financial participation (FFP) for full Medicaid coverage, with limited exceptions, to individuals who are U.S. citizens or nationals or in only three groups of noncitizens, including lawful permanent residents (LPRs), Cuban/Haitian entrants, or COFA (Compact of Free Association) migrants, who CMS refers to as “FFP-eligible noncitizens.”

While the April 22 notice provided the public with 14-days to comment, we are reopening the comment period for 12 days—the duration of the inaccurate posting. This action will allow interested parties additional time to review all of the collection of information materials and prepare/submit comments. CMS is reopening the comment period as indicated in the **DATES** section of this notice. (For policy questions regarding this collection contact: Abby Kahn at 410–786–4321.)

William N. Parham, III,

Director, Division of Information Collections and Regulatory Impacts, Office of Strategic Operations and Regulatory Affairs.

[FR Doc. 2026–09329 Filed 5–11–26; 8:45 am]

BILLING CODE 4120–01–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

[Docket No. FDA–2026–D–5083]

Enforcement Priorities for Certain New Tobacco Products Marketed Without Premarket Authorization; Guidance for Industry; Availability

AGENCY: Food and Drug Administration, HHS.

ACTION: Notice of availability.

SUMMARY: The Food and Drug Administration (FDA, Agency, or we) is announcing the availability of a final guidance for industry entitled “Enforcement Priorities for Certain New Tobacco Products Marketed Without Premarket Authorization.” This guidance document describes certain enforcement policies with regard to the marketing of certain electronic nicotine delivery systems and oral nicotine pouch products that do not have premarket authorization.

DATES: The announcement of the guidance is published in the **Federal Register** on May 12, 2026.

ADDRESSES: You may submit either electronic or written comments on Agency guidances at any time as follows:

Electronic Submissions

Submit electronic comments in the following way:

- *Federal eRulemaking Portal:* <https://www.regulations.gov>. Follow the instructions for submitting comments. Comments submitted electronically, including attachments, to <https://www.regulations.gov> will be posted to the docket unchanged. Because your comment will be made public, you are solely responsible for ensuring that your comment does not include any confidential information that you or a third party may not wish to be posted, such as medical information, your or anyone else's Social Security number, or confidential business information, such as a manufacturing process. Please note that if you include your name, contact information, or other information that identifies you in the body of your comments, that information will be posted on <https://www.regulations.gov>.

- If you want to submit a comment with confidential information that you do not wish to be made available to the public, submit the comment as a written/paper submission and in the manner detailed (see “Written/Paper Submissions” and “Instructions”).

Written/Paper Submissions

Submit written/paper submissions as follows:

- *Mail/Hand Delivery/Courier (for written/paper submissions):* Dockets Management Staff (HFA-305), Food and Drug Administration, 5630 Fishers Lane, Rm. 1061, Rockville, MD 20852.

- For written/paper comments submitted to the Dockets Management Staff, FDA will post your comment, as well as any attachments, except for information submitted, marked and identified, as confidential, if submitted as detailed in “Instructions.”

Instructions: All submissions received must include the Docket No. FDA-2026-D-5083 for “Enforcement Priorities for Certain New Tobacco Products Marketed Without Premarket Authorization.” Received comments will be placed in the docket and, except for those submitted as “Confidential Submissions,” publicly viewable at <https://www.regulations.gov> or at the Dockets Management Staff between 9 a.m. and 4 p.m., Monday through Friday, 240-402-7500.

- **Confidential Submissions**—To submit a comment with confidential information that you do not wish to be made publicly available, submit your comments only as a written/paper submission. You should submit two copies total. One copy will include the information you claim to be confidential with a heading or cover note that states “THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION.” The Agency will review this copy, including the claimed confidential information, in its consideration of comments. The second copy, which will have the claimed confidential information redacted/blacked out, will be available for public viewing and posted on <https://www.regulations.gov>. Submit both copies to the Dockets Management Staff. If you do not wish your name and contact information to be made publicly available, you can provide this information on the cover sheet and not in the body of your comments and you must identify this information as “confidential.” Any information marked as “confidential” will not be disclosed except in accordance with 21 CFR 10.20 and other applicable disclosure law. For more information about FDA’s posting of comments to public dockets, see 80 FR 56469, September 18, 2015, or access the information at: <https://www.govinfo.gov/content/pkg/FR-2015-09-18/pdf/2015-23389.pdf>.

Docket: For access to the docket to read background documents or the electronic and written/paper comments received, go to <https://>

www.regulations.gov and insert the docket number, found in brackets in the heading of this document, into the “Search” box and follow the prompts and/or go to the Dockets Management Staff, 5630 Fishers Lane, Rm. 1061, Rockville, MD 20852, 240-402-7500.

You may submit comments on any guidance at any time (see 21 CFR 10.115(g)(5)).

Submit written requests for single copies of this guidance to the Center for Tobacco Products, Food and Drug Administration, 10903 New Hampshire Ave., Document Control Center, Bldg. 71, Rm. G335, Silver Spring, MD 20993-0002. Send one self-addressed adhesive label to assist that office in processing your request or include a fax number to which the guidance may be sent. See the **SUPPLEMENTARY INFORMATION** section for information on electronic access to the guidance.

FOR FURTHER INFORMATION CONTACT:

Samantha Rivera, Food and Drug Administration, 10903 New Hampshire Ave., Document Control Center, Bldg. 71, Rm. G335, Silver Spring, MD 20993-0002, 877-287-1373, CTPRegulations@fda.hhs.gov.

SUPPLEMENTARY INFORMATION:

I. Background

FDA is announcing the availability of a final guidance for industry entitled “Enforcement Priorities for Certain New Tobacco Products Marketed Without Premarket Authorization; Guidance for Industry.” We are issuing this guidance consistent with our good guidance practices (GGP) regulation (§ 10.115 (21 CFR 10.115)). We are implementing this guidance without prior public comment because we have determined that prior public participation is not feasible or appropriate (§ 10.115(g)(2)). We made this determination because this guidance is necessary to promote transparency, and to assist FDA in efficiently allocating enforcement resources by focusing regulatory oversight on products that are more likely to meet the applicable public health standard. FDA’s approach is intended to facilitate an orderly shift toward a regulated market in which compliant products, supported by appropriate evidence and subject to meaningful oversight, can replace unauthorized offerings. FDA expects this approach to encourage the development of applications for potentially less harmful tobacco products and support more timely evaluation and marketing authorization decisions for products that may benefit public health. Although this guidance document is immediately in effect, it

remains subject to comment in accordance with FDA’s GGP regulation.

The Federal Food, Drug, and Cosmetic Act (FD&C Act) provides that new tobacco products¹ may not legally be marketed without premarket authorization. Accordingly, all new tobacco products, including those that are ENDS and nicotine pouch products, on the market without authorization are illegally marketed products. This guidance document describes certain enforcement policies with regard to the marketing of certain electronic nicotine delivery systems and nicotine pouch products that do not have premarket authorization.

The guidance represents the current thinking of FDA on “Enforcement Priorities for Certain New Tobacco Products Marketed Without Premarket Authorization; Guidance for Industry.” It does not establish any rights for any person and is not binding on FDA or the public. You can use an alternative approach if it satisfies the requirements of the applicable statutes and regulations.

II. Paperwork Reduction Act of 1995

This guidance refers to previously approved FDA collections of information. These collections of information are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3521). The collections of information in 21 CFR 1107.1(b) and (c) have been approved under OMB control number 0910-0684; the collections of information under section 910 of the FD&C Act have been approved under OMB control number 0910-0879. The collections of information in section 905(j) of the FD&C Act (21 U.S.C. 387e(j)) have been approved under OMB control number 0910-0673.

III. Electronic Access

Persons with access to the internet may obtain an electronic version of the guidance at <https://www.fda.gov/tobacco-products/rules-regulations-and-guidance-related-tobacco-products/guidance-related-tobacco-products>, <https://www.fda.gov/regulatory->

¹ Section 910 of the Federal Food, Drug, and Cosmetic Act defines the term “new tobacco product” to mean “(A) any tobacco product (including those products in test markets) that was not commercially marketed in the United States as of February 15, 2007; or (B) any modification (including a change in design, any component, any part, or any constituent, including a smoke constituent, or in the content, delivery or form of nicotine, or any other additive or ingredient) of a tobacco product where the modified product was commercially marketed in the United States after February 15, 2007.” 21 U.S.C. 387j(a)(1).

information/search-fda-guidance-documents, or <https://www.regulations.gov>.

Lowell M. Zeta,

Deputy Commissioner for Strategic Initiatives.

[FR Doc. 2026–09368 Filed 5–8–26; 8:45 am]

BILLING CODE 4164–01–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

[Docket No. FDA–2017–N–5925]

21st Century Cures Act: Annual Compilation of Notices of Updates From the Susceptibility Test Interpretive Criteria web page

AGENCY: Food and Drug Administration, HHS.

ACTION: Notice; request for comments.

SUMMARY: The Food and Drug Administration (FDA, the Agency, or we) is announcing the availability of the Agency's annual compilation of notices of updates to the Agency's Susceptibility Test Interpretive Criteria web page. The Agency established the Susceptibility Test Interpretive Criteria web page on December 13, 2017, and since establishment has provided updates to both the format of the web pages and the susceptibility test interpretive criteria identified and recognized by FDA on the web pages. FDA is publishing this notice in accordance with procedures established by the 21st Century Cures Act (Cures Act).

DATES: This notice is published in the **Federal Register** on May 12, 2026.

ADDRESSES: You may submit either electronic or written comments and information as follows:

Electronic Submissions

Submit electronic comments in the following way:

- **Federal eRulemaking Portal:** <https://www.regulations.gov>. Follow the instructions for submitting comments. Comments submitted electronically, including attachments, to <https://www.regulations.gov> will be posted to the docket unchanged. Because your comment will be made public, you are solely responsible for ensuring that your comment does not include any confidential information that you or a third party may not wish to be posted, such as medical information, your or anyone else's Social Security number, or confidential business information, such as a manufacturing process. Please note that if you include your name, contact

information, or other information that identifies you in the body of your comments, that information will be posted on <https://www.regulations.gov>.

- If you want to submit a comment with confidential information that you do not wish to be made available to the public, submit the comment as a written/paper submission and in the manner detailed below (see "Written/Paper Submissions" and "Instructions").

Written/Paper Submissions

Submit written/paper submissions as follows:

- **Mail/Hand Delivery/Courier (for written/paper submissions):** Dockets Management Staff (HFA–305), Food and Drug Administration, 5630 Fishers Lane, Rm. 1061, Rockville, MD 20852.
- For written/paper comments submitted to the Dockets Management Staff, FDA will post your comment, as well as any attachments, except for information submitted, marked and identified, as confidential, if submitted as detailed in "Instructions."

Instructions: All submissions received must include the Docket No. FDA–2017–N–5925 for "Susceptibility Test Interpretive Criteria Recognized and Listed on the Susceptibility Test Interpretive web page; Request for Comments." Received comments will be placed in the docket and, except for those submitted as "Confidential Submissions," publicly viewable at <https://www.regulations.gov> or at the Dockets Management Staff between 9 a.m. and 4 p.m., Monday through Friday, 240–402–7500.

- **Confidential Submissions—**To submit a comment with confidential information that you do not wish to be made publicly available, submit your comments only as a written/paper submission. You should submit two copies total. One copy will include the information you claim to be confidential with a heading or cover note that states "THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION." The Agency will review this copy, including the claimed confidential information, in its consideration of comments. The second copy, which will have the claimed confidential information redacted/blacked out, will be available for public viewing and posted on <https://www.regulations.gov>. Submit both copies to the Dockets Management Staff. If you do not wish your name and contact information to be made publicly available, you can provide this information on the cover sheet and not in the body of your comments and you must identify this information as "confidential." Any information marked

as "confidential" will not be disclosed except in accordance with 21 CFR 10.20 and other applicable disclosure law. For more information about FDA's posting of comments to public dockets, see 80 FR 56469, September 18, 2015, or access the information at: <https://www.gpo.gov/fdsys/pkg/FR-2015-09-18/pdf/2015-23389.pdf>.

Docket: For access to the docket to read background documents or the electronic and written/paper comments received, go to <https://www.regulations.gov> and insert the docket number, found in brackets in the heading of this document, into the "Search" box and follow the prompts and/or go to the Dockets Management Staff, 5630 Fishers Lane, Rm. 1061, Rockville, MD 20852, 240–402–7500.

FOR FURTHER INFORMATION CONTACT:

Deborah Kim, Center for Drug Evaluation and Research, Food and Drug Administration, 10903 New Hampshire Ave., Bldg. 22, Rm. 6349, Silver Spring, MD 20993–0002, 301–796–9053, Deborah.Wang@fda.hhs.gov.

SUPPLEMENTARY INFORMATION:

I. Background

Section 511A of the Federal Food, Drug, and Cosmetic Act (FD&C Act) (21 U.S.C. 360a-2), as added by section 3044 of the Cures Act (Pub. L. 114–255), was signed into law on December 13, 2016. This provision clarified FDA's authority to identify and efficiently update susceptibility test interpretive criteria, including through the recognition by FDA of standards established by standards development organizations (SDOs). It also clarified that sponsors of antimicrobial susceptibility testing devices may rely upon listed susceptibility test interpretive criteria to support premarket authorization of their devices, provided they meet certain conditions, which allows for a more streamlined process for incorporating up-to-date information into such devices.

In the **Federal Register** notice of December 13, 2017 (82 FR 58617), FDA announced the establishment of the Susceptibility Test Interpretive Criteria web page. This web page recognizes susceptibility test interpretive criteria established by an SDO that fulfills the requirements under section 511A(b)(2)(A) of the FD&C Act; identifies when FDA does not recognize, in whole or in part, susceptibility test interpretive criteria established by an SDO; and lists susceptibility test interpretive criteria identified by FDA outside the SDO process. The susceptibility test interpretive criteria listed by FDA on the Susceptibility Test

Interpretive Criteria web page is deemed to be recognized as a standard under section 514(c)(1) of the FD&C Act (21 U.S.C. 360d(c)(1)). The Susceptibility Test Interpretive Criteria web page can be found at <https://www.fda.gov/STIC>.

On March 1, 2018, FDA published a notice in the **Federal Register** (83 FR 8883) requesting comments on FDA's initial susceptibility test interpretive criteria recognition and listing determinations on the Susceptibility Test Interpretive Criteria web page (<https://www.federalregister.gov/documents/2018/03/01/2018-04175/susceptibility-test-interpretive-criteria-recognized-and-listed-on-the-susceptibility-test>). FDA may consider information provided by interested third parties as a basis for evaluating new or updated interpretive criteria standards (section 511A(c)(2)(B) of the FD&C Act); third parties should submit any information they wish to convey to the Agency to Docket No. FDA-2017-N-5925. If comments are received, FDA will review those comments and will make, as appropriate, updates to the recognized standards or susceptibility test interpretive criteria.

At least every 6 months after the establishment of the Susceptibility Test Interpretive Criteria web page, FDA is required, as appropriate to: (1) publish on that web page a notice recognizing new or updated susceptibility test interpretive criteria standards, or recognizing or declining to recognize parts of standards; (2) withdraw recognition of susceptibility test

interpretive criteria standards, or parts of standards; and (3) make any other necessary updates to the lists published on the Susceptibility Test Interpretive Criteria web page (section 511A(c)(1)(A) of the FD&C Act). FDA has provided notices of updates on the Susceptibility Test Interpretive Criteria web page, which can be found here: <https://www.fda.gov/drugs/development-resources/notice-updates>. Interested parties may also sign up to receive emails informing them of these updates as they occur by using the link provided either on the main Susceptibility Test Interpretive Criteria web page (<https://www.fda.gov/STIC>) or on the updates page.

Once a year, FDA is required to compile the new notices published on the Susceptibility Test Interpretive Criteria web page, publish them in the **Federal Register**, and provide for public comment (see section 511A(c)(3) of the FD&C Act). This **Federal Register** notice satisfies that requirement. If comments are received, FDA will review them and make updates to the recognized standards or susceptibility test interpretive criteria as needed.

II. Annual Compilation of Notices, 2025: Susceptibility Test Interpretive Criteria web page

A. Updates to Standards Recognition

As of February 12, 2025, the following standard is no longer recognized:

- Clinical and Laboratory Standards Institute (CLSI). Performance Standards

for Antimicrobial Susceptibility Testing. 34th ed. CLSI supplement M100; 2024.

As of February 12, 2025, unless specific exceptions and additions are identified, FDA fully recognizes the standards published in:

- Clinical and Laboratory Standards Institute (CLSI). Performance Standards for Antimicrobial Susceptibility Testing. 35th ed. CLSI supplement M100; 2025.

As of January 16, 2025, unless specific exceptions and additions are identified, FDA fully recognizes the standards published in:

- Clinical and Laboratory Standards Institute (CLSI). Methods for Antimicrobial Dilution and Disk Susceptibility Testing of Infrequently Isolated or Fastidious Bacteria. 3rd ed. CLSI document M45; 2015.

- Clinical and Laboratory Standards Institute (CLSI). Performance Standards for Susceptibility Testing of Mycobacteria, Nocardia spp., and Other Aerobic Actinomycetes. 2nd Ed. CLSI document M24S; 2023.

- Clinical and Laboratory Standards Institute (CLSI). Methods for Antimicrobial Susceptibility Testing for Human Mycoplasmas; Approved Guideline. 1st ed. CLSI document M43-A; 2011.

- Clinical and Laboratory Standards Institute (CLSI). Performance Standards for Antifungal Susceptibility Testing of Filamentous Fungi. 3rd Ed. CLSI document M38M51S; 2022.

B. Updates by Drug

TABLE 1—NOTICES OF UPDATES TO RECOGNIZED OR UPDATED SUSCEPTIBILITY TEST INTERPRETIVE CRITERIA (STIC) BY DRUG¹

Drug	Route of administration	Action taken	Therapeutic category	Date
Amikacin	Injection	FDA recognizes M100 standard (MIC and disk diffusion) for Enterobacterales and <i>Pseudomonas aeruginosa</i> . (Rationale available at https://www.fda.gov/drugs/development-resources/fda-rationale-recognition-decision-gentamicin-tobramycin-and-amikacin-enterobacterales-and-p).	Antibacterial	10/22/2025
Amoxicillin and clavulanate ..	Oral	FDA recognizes M100 standard (MIC) for <i>Haemophilus influenzae</i> . (Rationale available at https://www.fda.gov/drugs/development-resources/fda-rationale-recognition-decision-amoxicillin-and-clavulanate-against-haemophilus-influenzae).	Antibacterial	5/15/2025
Azithromycin	Oral, Injection	FDA identified STIC (MIC) for <i>Neisseria gonorrhoeae</i> . (Rationale available at https://www.fda.gov/drugs/development-resources/fda-rationale-breakpoints-recognition-decision-azithromycin-and-neisseria-gonorrhoeae).	Antibacterial	1/16/2025
Aztreonam and avibactam	Injection	FDA identified STIC (MIC and disk diffusion) for Enterobacterales.	Antibacterial	2/07/2025
Cefepime	Injection	FDA recognizes M100 standard (MIC and disk diffusion) for <i>P. aeruginosa</i> .	Antibacterial	1/16/2025
Ceftazidime	Injection	FDA recognizes M100 standard (MIC and disk diffusion) for <i>P. aeruginosa</i> .	Antibacterial	1/16/2025
Chloramphenicol	Injection	FDA does not recognize M45 standard for <i>Abiotrophia</i> spp., <i>Granulicatella</i> spp., and <i>Aeromonas</i> spp.	Antibacterial	1/16/2025

TABLE 1—NOTICES OF UPDATES TO RECOGNIZED OR UPDATED SUSCEPTIBILITY TEST INTERPRETIVE CRITERIA (STIC) BY DRUG ¹—Continued

Drug	Route of administration	Action taken	Therapeutic category	Date
Clindamycin	Injection, Oral	FDA does not recognize M45 standard for <i>Moraxella catarrhalis</i> .	Antibacterial	1/16/2025
Colistimethate	Injection	FDA recognizes STIC (MIC) for Enterobacterales, <i>P. aeruginosa</i> , and <i>Acinetobacter</i> spp. (Rationale available at https://www.fda.gov/drugs/development-resources/fda-rationale-breakpoints-recognition-decision-polymyxins-and-enterobacterales-pseudomonas).	Antibacterial	2/12/2025
Fosfomycin	Injection	FDA identified STIC (MIC and disk diffusion) for <i>E. coli</i> and <i>K. pneumoniae</i> .	Antibacterial	10/22/2025
Gentamicin	Injection	FDA recognizes M100 standard (MIC and disk diffusion) for Enterobacterales. FDA removed STIC for <i>Pseudomonas aeruginosa</i> (Rationale available at https://www.fda.gov/drugs/development-resources/fda-rationale-recognition-decision-gentamicin-tobramycin-and-amikacin-enterobacterales-and-p).	Antibacterial	10/22/2025
Gepotidacin	Oral	FDA identified STIC (MIC and disk diffusion) for <i>Neisseria gonorrhoeae</i> .	Antibacterial	12/11/2025
Gepotidacin	Oral	FDA identified STIC (MIC and disk diffusion) for Enterobacterales, <i>Staphylococcus saprophyticus</i> , and <i>Enterococcus faecalis</i> .	Antibacterial	3/25/2025
Isavuconazonium sulfate *	Oral, Injection	FDA recognizes M38M51S standard for <i>Aspergillus fumigatus</i> . (Rational available at https://www.fda.gov/drugs/development-resources/fda-rationale-recognition-decision-isavuconazonium-sulfate).	Antifungal	8/22/2025
Piperacillin	Injection	FDA recognizes M100 standard (MIC and disk diffusion) for Enterobacterales, <i>P. aeruginosa</i> and <i>Acinetobacter</i> spp.	Antibacterial	9/23/2025
Piperacillin and Tazobactam	Injection	FDA recognizes M100 standard (MIC and disk diffusion) for <i>P. aeruginosa</i> . (Rationale available at https://www.fda.gov/drugs/development-resources/fda-rationale-breakpoints-recognition-decision-piperacillin-tazobactam-and-pseudomonas-aeruginosa).	Antibacterial	1/16/2025
Polymyxin B Sulfate	Injection	FDA recognizes STIC (MIC) for Enterobacterales, <i>P. aeruginosa</i> , and <i>Acinetobacter</i> spp (Rational available at https://www.fda.gov/drugs/development-resources/fda-rationale-breakpoints-recognition-decision-polymyxins-and-enterobacterales-pseudomonas).	Antibacterial	2/12/2025
Rifampin	Oral, Injection	FDA does not recognize M45 standard for HACEK group: <i>Haemophilus</i> spp., <i>Aggregatibacter</i> spp., <i>Cardiobacterium hominis</i> , <i>Eikenella corrodens</i> and <i>Kingella</i> spp., and for <i>Moraxella catarrhalis</i> .	Antibacterial	1/16/2025
Tobramycin	Injection	FDA recognizes M100 standard (MIC and disk diffusion) for Enterobacterales and <i>Pseudomonas aeruginosa</i> (Rationale available at https://www.fda.gov/drugs/development-resources/fda-rationale-recognition-decision-gentamicin-tobramycin-and-amikacin-enterobacterales-and-p).	Antibacterial	10/22/2025
Voriconazole	Tablets, Powder for Oral Suspension, Injection.	FDA recognizes M38M51S standard for <i>Aspergillus fumigatus</i> . (Rationale available at https://www.fda.gov/drugs/development-resources/fda-rationale-recognition-decision-voriconazole).	Antifungal	1/16/2025
Zoliflodacin	Oral	FDA identified STIC (MIC) for <i>Neisseria gonorrhoeae</i>	Antibacterial	12/15/2025

¹ M100 standard in the table refers to CLSI Performance Standards for Antimicrobial Susceptibility Testing. 35th ed. CLSI supplement M100; 2025.

M45 standard refers to CLSI Methods for Antimicrobial Dilution and Disk Susceptibility Testing of Infrequently Isolated or Fastidious Bacteria. 3rd ed. CLSI document M45; 2015. M38M51S standard in the table refers to CLSI Performance Standards for Antifungal Susceptibility Testing of Filamentous Fungi. 3rd Ed. CLSI document M38M51S; 2022.

* Isavuconazonium sulfate is the prodrug of isavuconazole.

Grace R. Graham,

Deputy Commissioner for Policy, Legislation, and International Affairs.

[FR Doc. 2026–09438 Filed 5–11–26; 8:45 am]

BILLING CODE 4164–01–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

[Docket No. FDA-2026-N-4492]

Drug Repurposing for Unmet Medical Needs; Request for Information

AGENCY: Food and Drug Administration, HHS.

ACTION: Notice; request for information; establishment of a public docket.

SUMMARY: The Food and Drug Administration (FDA, the Agency, or we) is opening a public docket to solicit input and comments on FDA's efforts with respect to drug repurposing to address unmet medical needs. FDA is requesting information on potential priority disease areas and potential candidates for drug repurposing, with a focus on FDA-approved drugs for which there appears to be no commercial interest in adding a new use through a supplement to a new drug application (supplemental application). Information provided through this public docket will help the Agency refine our efforts toward considering and evaluating candidates for drug repurposing.

DATES: Submit either electronic or written comments, data, or information by June 11, 2026.

ADDRESSES: You may submit comments, data, and information as follows. Please note that late, untimely filed comments will not be considered. The <https://www.regulations.gov> electronic filing system will accept comments until 11:59 p.m. Eastern Time at the end of June 11, 2026. Comments received by mail/hand delivery/courier (for written/paper submissions) will be considered timely if they are received on or before that date.

Electronic Submissions

Submit electronic comments in the following way:

- **Federal eRulemaking Portal:** <https://www.regulations.gov>. Follow the instructions for submitting comments. Comments submitted electronically, including attachments, to <https://www.regulations.gov> will be posted to the docket unchanged. Because your comment will be made public, you are solely responsible for ensuring that your comment does not include any confidential information that you or a third party may not wish to be posted, such as medical information, your or anyone else's Social Security number, or confidential business information, such as a manufacturing process. Please note that if you include your name, contact information, or other information that

identifies you in the body of your comments, that information will be posted on <https://www.regulations.gov>.

- If you want to submit a comment with confidential information that you do not wish to be made available to the public, submit the comment as a written/paper submission and in the manner detailed (see "Written/Paper Submissions" and "Instructions").

Written/Paper Submissions

Submit written/paper submissions as follows:

- **Mail/Hand Delivery/Courier (for written/paper submissions):** Dockets Management Staff (HFA-305), Food and Drug Administration, 5630 Fishers Lane, Rm. 1061, Rockville, MD 20852.
- For written/paper comments submitted to the Dockets Management Staff, FDA will post your comment, as well as any attachments, except for information submitted, marked and identified, as confidential, if submitted as detailed in "Instructions."

Instructions: All submissions received must include the Docket No. FDA-2026-N-4492 for "Drug Repurposing for Unmet Medical Needs; Request for Information." Received comments, those filed in a timely manner (see **ADDRESSES**), will be placed in the docket and, except for those submitted as "Confidential Submissions," publicly viewable at <https://www.regulations.gov> or at the Dockets Management Staff between 9 a.m. and 4 p.m., Monday through Friday, 240-402-7500.

- **Confidential Submissions—**To submit a comment with confidential information that you do not wish to be made publicly available, submit your comments only as a written/paper submission. You should submit two copies total. One copy will include the information you claim to be confidential with a heading or cover note that states "THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION." The Agency will review this copy, including the claimed confidential information, in its consideration of comments. The second copy, which will have the claimed confidential information redacted/blacked out, will be available for public viewing and posted on <https://www.regulations.gov>. Submit both copies to the Dockets Management Staff. If you do not wish your name and contact information to be made publicly available, you can provide this information on the cover sheet and not in the body of your comments and you must identify this information as "confidential." Any information marked as "confidential" will not be disclosed except in accordance with 21 CFR 10.20 and other applicable disclosure law. For

more information about FDA's posting of comments to public dockets, see 80 FR 56469, September 18, 2015, or access the information at: <https://www.govinfo.gov/content/pkg/FR-2015-09-18/pdf/2015-23389.pdf>.

Docket: For access to the docket to read background documents or the electronic and written/paper comments received, go to <https://www.regulations.gov> and insert the docket number, found in brackets in the heading of this document, into the "Search" box and follow the prompts and/or go to the Dockets Management Staff, 5630 Fishers Lane, Rm. 1061, Rockville, MD 20852, 240-402-7500.

FOR FURTHER INFORMATION CONTACT:

Caroline Huang, Center for Drug Evaluation and Research, Food and Drug Administration, 10903 New Hampshire Ave., Bldg. 51, Rm. 6117, Silver Spring, MD 20993-0002, drugrepurposing@fda.hhs.gov.

SUPPLEMENTARY INFORMATION:

I. Background

Drug repurposing refers to the identification of potential new uses of FDA-approved drugs, for which the new uses would be supported by safety and effectiveness data. Because drug repurposing takes into account existing knowledge of approved drugs (e.g., safety profiles) when considering the benefits and risks of potential new uses, it can be an important approach for identifying potential treatments for diseases, conditions, or populations that currently lack adequate approved therapies. Stakeholder efforts to advance drug repurposing, including workshops and white papers, have addressed topics such as challenges and opportunities for drug repurposing and mechanisms through which labeling could be updated when supported by sufficient data.^{1 2 3} Recognizing the potential public health impact of drug repurposing, the September 2025 Make Our Children Healthy Again strategy report directed FDA to jointly investigate opportunities with the National Institutes of Health (NIH) to "strengthen the use of repurposed drugs for the treatment of chronic disease, while harmonizing authorization processes through collaborative clinical trial designs to achieve FDA approval."⁴

¹ <https://videocast.nih.gov/watch/bb3e5157-d5db-11f0-9cf9-12c45c580ad9>.

² <https://healthpolicy.duke.edu/projects/drug-repurposing>.

³ <https://remedi4all.org/international-drug-repurposing-conference/>.

⁴ <https://www.whitehouse.gov/wp-content/uploads/2025/09/The-MAHA-Strategy-WH.pdf>.

In many cases, applicants may consider drug repurposing and submit a supplemental application under section 505(b) of the Federal Food, Drug, and Cosmetic Act (FD&C Act) seeking approval of a new use. In other cases where there are compelling data but potentially no commercial interest in submitting a supplemental application under section 505(b) of the FD&C Act (e.g., the brand drug has been discontinued from marketing and only generic drugs are on the market; the drug is marketed by the brand name applicant and/or generic drug manufacturers but there appears to be insufficient commercial incentive to pursue approval of a new use; etc.), FDA can use other complementary approaches supported by existing legislation and regulatory pathways to encourage labeling updates with new uses for drugs. Approaches such as these have been successfully used in cases ranging from oncology drugs to medical countermeasure drugs.

Existing legislation and regulatory mechanisms supporting labeling updates. The Best Pharmaceuticals for Children's Act (BPCA, codified at section 505A of the FD&C Act (21 U.S.C. 355a) and section 409I of the PHS Act (42 U.S.C. 284m)) incentivizes the study of drugs for pediatric indications when information relating to the use of those drugs in children may produce pediatric health benefits, such as new uses of drugs. Section 505A of the FD&C Act encourages the identification of clinical areas of need in pediatric patients and offers exclusivity appended to patent and exclusivity protection in certain circumstances to applicants who, in response to a written request from the Agency, submit data to the Agency to support new uses in pediatric patients. Section 409I of the Public Health Service Act is implemented by NIH to, among other things, identify and address drug products that need further study in children.⁵

A second piece of legislation, signed into law as section 324 of the Consolidated Appropriations Act of 2021 (Public Law 116–260), “Modernizing the labeling of certain generic drugs” (commonly referred to as MODERN), added section 503D to the FD&C Act (21 U.S.C. 353d). This legislation established a process through which FDA can require certain updates to the labeling of generic drugs when, among other things, approval of the application for the generic drug’s reference listed drug (RLD) has been withdrawn for reasons other than safety

or effectiveness, and when there are no unexpired patents or exclusivities listed in the FDA publication “Approved Drug Products With Therapeutic Equivalence Evaluations” (commonly referred to as the Orange Book) for the RLD. Under MODERN, FDA can initiate a process for labeling changes if, among other things, updating the approved labeling would benefit the public health and: “(I) there is new scientific evidence available pertaining to new or existing conditions of use that is not reflected in the approved labeling; (II) the approved labeling does not reflect current legal and regulatory requirements for content or format; or (III) there is a relevant accepted use in clinical practice that is not reflected in the approved labeling.”⁶

Additional Approaches. FDA has worked with applicants to submit supplemental applications to add new uses to the labeling of approved drugs in a wide range of therapeutic areas. For example, Project Renewal is a public health initiative established by the FDA Oncology Center of Excellence (OCE) that aims to update the Prescribing Information (i.e., labeling for health care providers) and labeling for patients for certain older oncology drugs to ensure that information in the product labeling is clinically meaningful and scientifically up to date. Aligned with FDA’s mission to protect public health, this initiative evaluates publicly available scientific evidence to update the Prescribing Information and labeling intended for patients, so that they contain a summary of the essential scientific information necessary for safe and effective use of these drugs.⁷ Under Project Renewal, to date, the labeling for three oncology drugs has been updated to include new and revised indications, new and revised dosing and administration recommendations, and new safety information: (1) capecitabine for the treatment of colon, rectal, colorectal, breast, gastric, esophageal, gastroesophageal junction, and pancreatic cancers;⁸ (2) temozolomide for the adjuvant treatment of newly diagnosed anaplastic astrocytoma and refractory anaplastic astrocytoma;⁹ and (3) fludarabine phosphate for use as a component of a combination regimen

for the treatment of B-cell chronic lymphocytic leukemia (CLL), and for the treatment of B-cell CLL in patients who have not responded to or whose disease has progressed during treatment with at least 1 alkylating-agent containing regimen.¹⁰

Another approach has involved FDA initiating systematic analyses of publicly available scientific literature, and upon determining that the information supports findings that could result in labeling changes, subsequently publishing **Federal Register** Notices to facilitate these changes by encouraging the filing of supplemental applications. This approach has resulted in labeling changes for drugs such as doxycycline and penicillin G procaine for the treatment of inhalational exposure to *Bacillus anthracis* (the bacterium that causes anthrax)¹¹ and penetrate calcium trisodium (Ca-DTPA) and penetrate zinc trisodium (Zn-DTPA) for treatment of certain kinds of radiation exposure.¹²

Recently, FDA approved a supplemental application for leucovorin calcium tablets for the treatment of cerebral folate transport deficiency in adult and pediatric patients who have a confirmed genetic variant in the folate receptor 1 gene (CFTD–FOLR1).¹³ The approval was based on a systematic review of the published literature on the topic, including published case reports with patient-level information, as well as mechanistic data. FDA collaborated with the applicant on a process to update the labeling to include the essential scientific information needed for the safe and effective use of the drug for adults and pediatric patients with CFTD–FOLR1.

II. Topics for Public Input

FDA seeks public input from patient, clinical, public health, and research communities on priority disease areas and potential candidates for drug repurposing. In this **Federal Register** Notice, we are focusing on FDA-approved drugs for which there currently appears to be no commercial interest in adding a new use through a

¹⁰ <https://www.fda.gov/drugs/resources-information-approved-drugs/fda-approves-updated-drug-labeling-fludarabine-phosphate-under-project-renewal>.

¹¹ <https://www.federalregister.gov/documents/2001/11/02/01-27493/prescription-drug-products-doxycycline-and-penicillin-g-procaine-administration-for-inhalational>.

¹² <https://www.fda.gov/regulatory-information/search-fda-guidance-documents/calcium-dtpa-and-zinc-dtpa-drug-products-submitting-new-drug-application>.

¹³ <https://www.fda.gov/news-events/press-announcements/fda-approves-first-treatment-patients-cerebral-folate-transport-deficiency>.

⁵ <https://www.nichd.nih.gov/research/supported/bpca/about>.

⁶ Section 503D(a)(1)(C) of the FD&C Act (21 U.S.C. 353d(a)(1)(C)).

⁷ <https://www.fda.gov/about-fda/oncology-center-excellence/project-renewal>.

⁸ <https://www.fda.gov/drugs/resources-information-approved-drugs/fda-approves-updated-drug-labeling-including-new-indications-and-dosing-regimens-capecitabine>.

⁹ <https://www.fda.gov/drugs/resources-information-approved-drugs/fda-approves-new-and-updated-indications-temozolomide-under-project-renewal>.

supplemental application. Additionally, we are focusing on such drugs that meet the following criteria for a new use: (1) There is compelling scientific evidence to support the effectiveness of the drug for the new use, (2) the dosage form(s) and route(s) of administration for the new use are the same as for an approved indication, and (3) there is a comparable safety profile for the patient populations for the new use and approved indications. FDA is also seeking input on potential candidates for drug repurposing that may not meet all of the above criteria but have preliminary promising data that might address an unmet need. In particular, FDA seeks comments, data (including real-world data), and information on the following topics:

1. *Priority areas:* Initially identified priority chronic disease areas include metabolic diseases, neurodegenerative conditions, women's health conditions (e.g., conditions related to menopause), men's health conditions (e.g., testosterone deficiency), and substance use disorders, as well as rare diseases. Based on your understanding of disease areas with significant unmet medical needs and high potential for effective treatment through drug repurposing, do you agree with these priority areas? Are there any other priority areas you would recommend for inclusion? Please explain your response.

2. *Candidates for drug repurposing:* What candidates for drug repurposing have the greatest potential for effective treatment of particular identified medical conditions?

a. *Scenario 1:* Candidates for which sufficient evidence may already exist to demonstrate their safety and effectiveness for a potential new use.

For FDA to approve a new use, there needs to be data demonstrating that the candidate is safe and effective for use under the conditions prescribed, recommended, or suggested in the drug's labeling (section 505(d) of the FD&C Act). The substantial evidence standard is defined in statute (section 505(d) of the FD&C Act) to mean evidence consisting of adequate and well-controlled investigations, including clinical investigations, by experts qualified by scientific training and experience to evaluate the effectiveness of the drug involved, on the basis of which it could fairly and responsibly be concluded by such experts that the drug will have the effect it purports or is represented to have under the conditions of use prescribed, recommended, or suggested in the labeling or proposed labeling thereof. The statute permits an approval based on one adequate and well-controlled

clinical investigation with confirmatory evidence if FDA determines that the data are sufficient based on relevant science to establish substantial evidence. The substantial evidence of effectiveness standard ensures that sponsors have demonstrated the real effect of a drug.

This scenario would be limited to candidates where no additional data would need to be generated (e.g., from clinical trials), and it may include potential uses for candidates based on publicly available scientific evidence, such as published literature. Please submit ideas for candidates that may have substantial evidence of effectiveness for a new use of a drug for a disease or condition, as well as supporting evidence from the published literature, unpublished adequate and well-controlled investigations that have completed results and analyses, or both.

b. *Scenario 2:* Candidates for which there are preliminary signals from clinical data, but sufficient evidence *does not yet exist* to demonstrate their safety and effectiveness for a new use.

There may be other situations in which there is information that suggests the potential for a clinical benefit of a drug to treat a disease or condition based on preliminary case reports or small pilot studies, but for which larger adequate and well-controlled investigations have not yet taken place. In these situations, the data would not yet be sufficient to support a labeling change; however, they may be suggestive of promising areas that warrant further study. Please submit ideas for candidates that meet these criteria, as well as an overview of the existing data which you believe is promising enough to merit further study.

c. *Scenario 3:* Candidates for which there are preliminary signals from pre-clinical data, but no clinical evidence yet exists to demonstrate their safety and effectiveness for a new use.

There may also be situations in which there is information that suggests the potential for a clinical benefit of a drug to treat a disease or condition based on pre-clinical data—e.g., via high-throughput screening, in vitro models, or artificial intelligence/machine learning—but for which there is currently no clinical evidence. Please submit ideas for candidates that meet these criteria, as well as an overview of the existing data which you believe is promising enough to merit further study.

3. *Approaches to identifying candidates for drug repurposing:* FDA is also interested in exploring new innovative approaches to identifying

candidates for drug repurposing. Please describe methods or opportunities that you believe the Agency could use to facilitate the identification of new candidates.

4. *Barriers and opportunities:*

- In cases where there appears to be no commercial interest in adding a new use through a supplemental application, what are the barriers to repurposing drugs to address unmet needs?

- From the perspective of patients and clinicians, what are the barriers to using FDA-approved drugs for unapproved uses when a prescriber determines a drug is medically appropriate for a patient?

- What could FDA and other federal partners do to address these barriers?

- How can FDA and other federal partners collect and use data about unapproved uses for FDA-approved drugs to better understand how they are being used in the community?

Grace R. Graham,

Deputy Commissioner for Policy, Legislation, and International Affairs.

[FR Doc. 2026–09366 Filed 5–11–26; 8:45 am]

BILLING CODE 4164–01–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

National Institutes of Health

Center for Scientific Review; Notice of Closed Meetings

Pursuant to section 1009 of the Federal Advisory Committee Act, as amended, notice is hereby given of the following meetings.

The meetings will be closed to the public in accordance with the provisions set forth in sections 552b(c)(4) and 552b(c)(6), Title 5 U.S.C., as amended. The grant applications and the discussions could disclose confidential trade secrets or commercial property such as patentable material, and personal information concerning individuals associated with the grant applications, the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.

Name of Committee: Center for Scientific Review Special Emphasis Panel; Institutional Training and Education Review Panel.

Date: May 29, 2026.

Time: 12:30 p.m. to 4:30 p.m.

Agenda: To review and evaluate grant applications.

Address: National Institutes of Health, Rockledge II, 6701 Rockledge Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Klaus B. Piontek, Ph.D., Scientific Review Officer, Center for Scientific Review, National Institutes of

Health, 6701 Rockledge Drive, Bethesda, MD 20892, (240) 276–5413, klaus.piontek@nih.gov.

Name of Committee: Center for Scientific Review Special Emphasis Panel; Special: Integrated Respiratory Research.

Dated: June 11, 2026.

Time: 10:00 a.m. to 6:00 p.m.

Agenda: To review and evaluate grant applications.

Address: National Institutes of Health, Rockledge II, 6701 Rockledge Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Prashant Sharma, Ph.D., Scientific Review Officer, Center for Scientific Review, National Institutes of Health, 6701 Rockledge Drive, Bethesda, MD 20892, (240) 275–6351, prashant.sharma@nih.gov.

Name of Committee: Oncology 2—Translational Clinical Integrated Review Group; Translational Immuno-Oncology Study Section TIO.

Dated: June 15, 2026.

Time: 8:00 a.m. to 6:30 p.m.

Agenda: To review and evaluate grant applications.

Address: National Institutes of Health, Rockledge II, 6701 Rockledge Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Maria Elena Cardenas-Corona, Ph.D., Scientific Review Officer, Center for Scientific Review, National Institutes of Health, 6701 Rockledge Drive, Bethesda, MD 20817, 301–867–5309, maria.cardenas-corona@nih.gov.

Name of Committee: Genes, Genomes, and Genetics Integrated Review Group; Genetic Variation and Evolution Study Section.

Dated: June 15, 2026.

Time: 9:00 a.m. to 7:00 p.m.

Agenda: To review and evaluate grant applications.

Address: National Institutes of Health, Rockledge II, 6701 Rockledge Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Michael Patrick O'Connell, Scientific Review Officer, Center for Scientific Review, National Institutes of Health, 6701 Rockledge Drive, Bethesda, MD 20892, (301) 867–5309, oconnellmp@mail.nih.gov.

Name of Committee: Center for Scientific Review Special Emphasis Panel; Undergraduate Institutional Training and Research Education Grants.

Dated: June 15–16, 2026.

Time: 9:00 a.m. to 6:00 p.m.

Agenda: To review and evaluate grant applications.

Address: National Institutes of Health, Rockledge II, 6701 Rockledge Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Marcienne Wright, Ph.D., Scientific Review Officer, Center for Scientific Review, National Institutes of Health, 6701 Rockledge Dr., Bethesda, MD 20892, (301) 594–3878, marci.wright@nih.gov.

Name of Committee: Healthcare Delivery and Methodologies Integrated Review Group;

Science of Implementation in Health and Healthcare Study Section.

Dated: June 15, 2026.

Time: 9:00 a.m. to 5:00 p.m.

Agenda: To review and evaluate grant applications.

Address: National Institutes of Health, Rockledge II, 6701 Rockledge Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Lauren Penney, Ph.D., Scientific Review Officer, Center for Scientific Review, National Institutes of Health, 6701 Rockledge Drive, Bethesda, MD 20892, (301) 496–1968, penneyls@csr.nih.gov.

Name of Committee: Center for Scientific Review Special Emphasis Panel; Special Topics: Cellular Processes in Aging and Development.

Dated: June 15, 2026.

Time: 9:15 a.m. to 7:00 p.m.

Agenda: To review and evaluate grant applications.

Address: National Institutes of Health, Rockledge II, 6701 Rockledge Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Raj K Krishnaraju, Ph.D., Scientific Review Officer, Center for Scientific Review, National Institutes of Health, 6701 Rockledge Drive, Bethesda, MD 20892, (301) 435–1047, krishna@csr.nih.gov.

Name of Committee: Biobehavioral and Behavioral Processes Integrated Review Group; Biobehavioral Regulation, Learning and Ethology Study Section.

Dated: June 15, 2026.

Time: 9:30 a.m. to 6:00 p.m.

Agenda: To review and evaluate grant applications.

Address: National Institutes of Health, Rockledge II, 6701 Rockledge Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Sara Louise Hargrave, Ph.D., Scientific Review Officer, Center for Scientific Review, National Institute of Health, 6701 Rockledge Drive, Room 3170, Bethesda, MD 20892, (301) 443–7193, hargravesl@mail.nih.gov.

Name of Committee: Applied Therapeutics for Cancer Integrated Review Group; Mechanisms of Cancer Therapeutics A Study Section.

Dated: June 16, 2026.

Time: 8:30 a.m. to 6:30 p.m.

Agenda: To review and evaluate grant applications.

Address: National Institutes of Health, Rockledge II, 6701 Rockledge Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Careen K. Tang-Toth, Ph.D., Scientific Review Officer, Center for Scientific Review, National Institutes of Health, 6701 Rockledge Drive, Room 6214, MSC 7804 Bethesda, MD 20892, (301) 435–3504, tothct@csr.nih.gov.

(Catalogue of Federal Domestic Assistance Program Nos. 93.306, Comparative Medicine; 93.333, Clinical Research, 93.306, 93.333, 93.337, 93.393–93.396, 93.837–93.844, 93.846–93.878, 93.892, 93.893, National Institutes of Health, HHS)

Dated: May 7, 2026.

Denise M. Santeufemio,

Supervisory Program Analyst, Office of Federal Advisory Committee Policy.

[FR Doc. 2026–09323 Filed 5–11–26; 8:45 am]

BILLING CODE 4167–05–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

National Institutes of Health

National Institute of Allergy and Infectious Diseases; Notice of Meetings

Pursuant to section 1009 of the Federal Advisory Committee Act, as amended, notice is hereby given of meetings of the National Advisory Allergy and Infectious Diseases Council.

The meetings will be open to the public. The open sessions will be videocast and can be accessed from the NIH Videocasting and Podcasting website (<http://videocast.nih.gov>). Individuals who plan to attend and need special assistance, such as sign language interpretation or other reasonable accommodations, should notify the Contact Person listed below in advance of the meeting.

The meetings will be closed to the public in accordance with the provisions set forth in sections 552b(c)(4) and 552b(c)(6), Title 5 U.S.C., as amended. The grant applications and the discussions could disclose confidential trade secrets or commercial property such as patentable material, and personal information concerning individuals associated with the grant applications, the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.

Name of Committee: National Advisory Allergy and Infectious Diseases Council.

Dated: June 22, 2026.

Closed: 8:30 a.m. to 10:30 a.m.

Agenda: To review and evaluate grant applications.

Address: National Institute of Allergy and Infectious Diseases, National Institutes of Health, 5601 Fishers Lane, Grand Hall, Rockville, MD 20892.

Meeting Format: Virtual Meeting.

Open: 10:30 a.m. to 11:45 a.m.

Agenda: Report from Institute Director.

Address: National Institute of Allergy and Infectious Diseases, National Institutes of Health, 5601 Fishers Lane, Grand Hall, Rockville, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Kelly Y. Poe, Ph.D., Director, Division of Extramural Activities, National Institute of Allergy and Infectious Diseases, National Institutes of Health, 5601 Fishers Lane, MSC 9834, Rockville, MD 20892–9834, (240) 669–5036, poe@nih.gov.

Name of Committee: National Advisory Allergy and Infectious Diseases Council Combined Meeting of Division of Allergy, Immunology and Transplantation and Division of Microbiology and Infectious Diseases Subcommittees.

Date: June 22, 2026.

Time: 1:00 p.m. to 5:00 p.m.

Agenda: Report of Division Director and Division Staff.

Address: National Institute of Allergy and Infectious Diseases, National Institutes of Health, 5601 Fishers Lane, Garden Level 1, Rockville, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Kelly Y. Poe, Ph.D., Director, Division of Extramural Activities, National Institute of Allergy and Infectious Diseases, National Institutes of Health, 5601 Fishers Lane, MSC 9834, Bethesda, MD 20892-9834, (240) 669-5036, poeky@mail.nih.gov.

Name of Committee: National Advisory Allergy and Infectious Diseases Council Meeting of the Division of AIDS Subcommittee.

Date: June 22, 2026.

Time: 1:00 p.m. to 5:00 p.m.

Agenda: Report of Division Director and Division Staff.

Address: National Institute of Allergy and Infectious Diseases, National Institutes of Health, 5601 Fishers Lane, Grand Hall, Rockville, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Kelly Y. Poe, Ph.D., Director, Division of Extramural Activities, National Institute of Allergy and Infectious Diseases, National Institutes of Health, 5601 Fishers Lane, MSC, 9834 Rockville, MD 20892-9834, (240) 669-5036, poeky@mail.nih.gov.

Any interested person may file written comments with the committee by forwarding the statement to the Contact Person listed on this notice. The statement should include the name, address, telephone number and when applicable, the business or professional affiliation of the interested person.

Information is also available on the Institute's/Center's home page: <https://www.niaid.nih.gov/about/advisory-council>, where an agenda and any additional information for the meeting will be posted when available.

Dated: May 7, 2026.

Bruce A. George,
Program Analyst, Office of Federal Advisory Committee Policy.

[FR Doc. 2026-09324 Filed 5-11-26; 8:45 am]

BILLING CODE 4167-05-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

National Institutes of Health

Office of the Secretary; Notice of Meeting

Pursuant to section 1009 of the Federal Advisory Committee Act, as amended, notice is hereby given of a

meeting of the Interagency Pain Research Coordinating Committee.

The meeting will be held as a virtual meeting and will be open to the public as indicated below. Individuals who plan to view the virtual meeting and need special assistance or other reasonable accommodation to view the meeting should notify the Contact Person listed below in advance of the meeting. The meeting can be accessed from the NIH Videocast at the following link: <https://videocast.nih.gov>. Registration is not required to access the videocast.

Name of Committee: Interagency Pain Research Coordinating Committee.

Date: June 16, 2026.

Time: 10:00 a.m. to 4:00 p.m.

Agenda: The meeting will cover committee business items and Interagency Pain Research Coordinating Committee member updates.

Address: National Institutes of Health, 31 Center Drive, Bethesda, MD 20892.

Meeting Format: Virtual Meeting.

Contact Person: Alynda Noel Wood, National Institute of Neurological Disorders and Stroke, 31 Center Drive, Bethesda, MD 20817, alynda.wood@nih.gov.

Any interested person may file written comments with the committee by forwarding the statement to the Contact Persons listed on this notice. The statement should include the name, address, telephone number and when applicable, the business or professional affiliation of the interested person.

Dated: May 7, 2026.

Rosalind M Niamke,

Program Analyst, Office of Federal Advisory Committee Policy.

[FR Doc. 2026-09325 Filed 5-11-26; 8:45 am]

BILLING CODE 4167-05-P

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

[A2407-014-004-065516; #O2509-014-004-125222; LLNM922000]

Notice of Proposed Reinstatement of BLM New Mexico Terminated Oil and Gas Lease: TXNM139423

AGENCY: Bureau of Land Management, Interior.

ACTION: Notice of oil and gas lease reinstatement.

SUMMARY: In accordance with the Mineral Leasing Act of 1920, as amended, the Bureau of Land Management (BLM) received a petition for reinstatement of terminated competitive oil and gas lease TXNM139423 from Sea Eagle Ford LLC (lessee). The lessee timely filed a petition for reinstatement of the competitive oil and gas lease located in

McMullen County, Texas. The lessee paid the required rental accruing from the date of termination. No leases have been issued that affect these lands. The BLM proposes to reinstate the lease.

FOR FURTHER INFORMATION CONTACT: Ross Klein, Natural Resource Specialist, Branch of Fluid Minerals, Bureau of Land Management New Mexico State Office, 301 Dinosaur Trail, Santa Fe, New Mexico 87508, (505) 954-2143, rklein@blm.gov. Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services. Individuals outside the United States should use the relay services offered within their country to make international calls to the point-of-contact in the United States.

SUPPLEMENTARY INFORMATION: The lessee agrees to new lease terms for rental of \$20 per acre, or fraction thereof, per year, and a royalty rate of 20 percent. The lessee agreed to amended lease notices. The lessee paid the required administration fee and has reimbursed the BLM for the cost of publishing this notice.

The lessee meets the requirements for reinstatement of the lease per Sec. 31 (d) and (e) of the Mineral Leasing Act of 1920 (30 U.S.C. 188). The BLM is proposing to reinstate lease TXNM139423, effective November 1, 2021, for the remainder of the primary term, subject to: the original terms and conditions of the lease; amended lease notices; increased rental of \$20 per acre; and increased royalty of 20 percent.

Authority: 30 U.S.C. 188 (e)(4) and 43 CFR 3108.23

Michael J. Gibson,

Deputy State Director, Minerals.

[FR Doc. 2026-09441 Filed 5-11-26; 8:45 am]

BILLING CODE 4331-23-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7152; NPS-WASO-NAGPRA-NPS0042768; PPWOCRADNO-PCU00RP14.R50000]

Notice of Intended Repatriation: Chicago Historical Society, Chicago, IL

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Chicago Historical Society and its affiliate Chicago History Museum

(“Chicago Historical Society”) intends to repatriate a certain cultural item that meets the definition of an unassociated funerary object and that has a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural item in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural item in this notice to Julie Katz, Senior Registrar, Chicago Historical Society, 1601 N Clark Street, Chicago, IL 60614, email katz@chicagohistory.org.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service’s administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the Chicago Historical Society, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

One cultural item has been requested for repatriation. The unassociated funerary object is a silver armlet purchased by the Chicago Historical Society in 1920 from the Estate of Charles F. Gunther. It is unknown how Gunther acquired the item. The armlet is engraved with the Royal British coat of arms as it was during the reign of George III. There is a grooved border at the top and bottom, and four holes (two on each side) pierced at the back for securing. The item was likely given to a Native American leader by the British for his support during the War of 1812. The item was removed from a mound near Grand Rapids, Michigan. Information shared during tribal consultation indicates this was likely to have been a burial mound.

Determinations

The Chicago Historical Society has determined that:

- The one unassociated funerary object described in this notice is reasonably believed to have been placed intentionally with or near human remains, and is connected, either at the time of death or later, as part of the death rite or ceremony of a Native American culture according to the Native American traditional knowledge of a lineal descendant, Indian Tribe, or Native Hawaiian organization. The unassociated funerary object has been identified by a preponderance of the

evidence as related to human remains, specific individuals, or families, or removed from a specific burial site or burial area of an individual or individuals with cultural affiliation to an Indian Tribe or Native Hawaiian organization.

- There is a reasonable connection between the cultural item described in this notice and the Match-E-Be-Nash-She-Wish Band of Pottawatomi (previously listed as Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians of Michigan).

Requests for Repatriation

Additional, written requests for repatriation of the cultural item in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural item in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the Chicago Historical Society must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural item are considered a single request and not competing requests. The Chicago Historical Society is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O’Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09419 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7147; NPS–WASO–NAGPRA–NPS0042764; PPWOCRADN0–PCU00RP14.R50000]

Notice of Intended Repatriation: U.S. Department of the Interior, Bureau of Indian Affairs, Washington, DC, and Arizona State University, School of Human Evolution and Social Change, Tempe, AZ

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Bureau of Indian Affairs (BIA) and the Arizona State University (ASU) Center for Archaeology and Society Repository (CASR; acting in place of the ASU School of Human Evolution and Social Change) intends to repatriate certain cultural items that meet the definition of unassociated funerary objects, sacred objects, and/or objects of cultural patrimony and that have a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural items in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural items in this notice to Tamara Billie, Bureau of Indian Affairs, 1001 Indian School Road NW, Mailbox 44, Albuquerque, NM 87104, email tamara.billie@bia.gov.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service’s administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the BIA and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of 28 cultural items has been requested for repatriation.

The six lots of unassociated funerary objects are: one lot of faunal bone, two lots of cloth, and three lots of ground stone. The 22 sacred objects are: two lots of ceramics, three lots of chipped stone, seven lots of ground stone, and 10 lots of shell. The items were removed from six Gila Farms sites in Pinal County, AZ, during two separate

archaeological undertakings of survey, subsurface testing, and excavation fieldwork associated with ASU in 1977.

Determinations

The BIA has determined that:

- The six lots of unassociated funerary objects described in this notice are reasonably believed to have been placed intentionally with or near human remains, and are connected, either at the time of death or later as part of the death rite or ceremony of a Native American culture according to the Native American traditional knowledge of a lineal descendant, Indian Tribe, or Native Hawaiian organization. The unassociated funerary objects have been identified by a preponderance of the evidence as related to human remains, specific individuals, or families, or removed from a specific burial site or burial area of an individual or individuals with cultural affiliation to an Indian Tribe or Native Hawaiian organization.

- The 22 sacred objects described in this notice are specific ceremonial objects needed by a traditional Native American religious leader for present-day adherents to practice traditional Native American religion, according to the Native American traditional knowledge of a lineal descendant, Indian Tribe, or Native Hawaiian organization.

- There is a connection between the cultural items described in this notice and the Ak-Chin Indian Community; Gila River Indian Community of the Gila River Indian Reservation, Arizona; Hopi Tribe of Arizona; Salt River Pima-Maricopa Indian Community of the Salt River Reservation, Arizona; Tohono O'odham Nation of Arizona; and the Zuni Tribe of the Zuni Reservation, New Mexico.

Requests for Repatriation

Additional, written requests for repatriation of the cultural items in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural items in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the BIA must determine the most appropriate requestor prior to repatriation. Requests for joint

repatriation of the cultural items are considered a single request and not competing requests. The BIA is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09415 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7150; NPS-WASO-NAGPRA-NPS0042765; PPWOCRADNO-PCU00RP14.R50000]

Notice of Inventory Completion: U.S. Department of the Interior, Bureau of Indian Affairs, Washington, DC, and San Bernardino County Museum, Redlands, CA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the U.S. Department of the Interior, Bureau of Indian Affairs (BIA) and the San Bernardino County Museum have completed an inventory of human remains and associated funerary objects and has determined that there is a cultural affiliation between the human remains and associated funerary objects and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the human remains and associated funerary objects in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the human remains and associated funerary objects in this notice to Tamara Billie, U.S. Department of the Interior, Bureau of Indian Affairs, 1001 Indian School Road NW, Mailbox 44, Albuquerque, NM 87104, email tamara.billie@bia.gov.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the BIA, and additional information on the determinations in this notice, including

the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

Human remains representing at least, one individual has been identified. The 289 associated funerary objects are groundstone, ceramic, lithic, historic, worked shell, fauna, and indeterminate bone fragments. The Ancestral Remains and associated funerary objects were removed from CA-RIV-68, known as Gossip Rock in Andreas Canyon on the Agua Caliente Indian Reservation in California. The Ancestral Remains and associated funerary objects were given collection number SBCM-21 when accessioned into the collection at San Bernardino County Museum in 1935. San Bernardino County Museum does not have any information regarding SBCM-21 being treated with chemicals or pesticides.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is reasonably identified by the geographical location or acquisition history of the human remains and associated funerary objects described in this notice.

Determinations

The U.S. Department of the Interior, Bureau of Indian Affairs has determined that:

- The human remains described in this notice represent the physical remains of one individual of Native American ancestry.
- The 289 objects described in this notice are reasonably believed to have been placed intentionally with or near individual human remains at the time of death or later as part of the death rite or ceremony.
- There is a connection between the human remains and associated funerary objects described in this notice and the Agua Caliente Band of Cahuilla Indians of the Agua Caliente Indian Reservation, California.

Requests for Repatriation

Written requests for repatriation of the human remains and associated funerary objects in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice.
2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows,

by a preponderance of the evidence, that the requestor is a lineal descendant or an Indian Tribe or Native Hawaiian organization with cultural affiliation.

Repatriation of the human remains and associated funerary objects described in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the BIA must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the human remains and associated funerary objects are considered a single request and not competing requests. The BIA is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09421 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7131; NPS–WASO–NAGPRA–NPS0042748; PPWOCRADN0–PCU00RP14.R50000]

Notice of Intended Repatriation: Benton Museum of Art at Pomona College, Claremont, CA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Benton Museum of Art at Pomona College intends to repatriate certain cultural items that meet the definition of sacred objects/objects of cultural patrimony and that have a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural items in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural items in this notice to Steve Comba, Associate Director, Benton Museum of Art, Pomona College, 333 N. College Way, Claremont, CA 91711, email scomba@pomona.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the

National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the Benton Museum of Art at Pomona College, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of four cultural items have been requested for repatriation. The four sacred objects/objects of cultural patrimony are one hair ornament, one head band, one feather pompom, and one rattle. The four objects are ceremonial regalia collected by Jonathan Tibbet, Jr. at an unknown date and donated to the Benton Museum of Art at Pomona College in 1929.

Determinations

The Benton Museum of Art at Pomona College has determined that:

- The four sacred objects/objects of cultural patrimony described in this notice are, according to the Native American traditional knowledge of an Indian Tribe or Native Hawaiian organization, specific ceremonial objects needed by a traditional Native American religious leader for present-day adherents to practice traditional Native American religion, and have ongoing historical, traditional, or cultural importance central to the Native American group, including any constituent sub-group (such as a band, clan, lineage, ceremonial society, or other subdivision).
- There is a connection between the cultural items described in this notice and the Yuhaaviatam of San Manuel Nation (previously listed as San Manuel Band of Mission Indians, California).

Requests for Repatriation

Additional, written requests for repatriation of the cultural items in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural items in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the Benton Museum of Art at Pomona College must determine the most

appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural items are considered a single request and not competing requests. The Benton Museum of Art at Pomona College is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09400 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7151; NPS–WASO–NAGPRA–NPS0042767; PPWOCRADN0–PCU00RP14.R50000]

Notice of Intended Repatriation: Museum of Riverside, Riverside, CA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Museum of Riverside intends to repatriate certain cultural items that meet the definition of objects of cultural patrimony and that have a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural items in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural items in this notice to Robyn G. Peterson, Ph.D., Museum of Riverside, 3900 Main Street, Riverside, CA 92552, email RPeterson@RiversideCA.gov.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the Museum of Riverside, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of 44 cultural items has been requested for repatriation. The 44 objects of cultural patrimony are 33 potsherds and 11 baskets. The potsherds (A459–1) were removed from Morongo Canyon near the San Bernardino and Riverside County lines sometime before its donation in 1964 by Mike Taylor of Sunnymead, CA. A total of seven of the Cahuilla baskets (A8) were collected by Harwood Hall (1859–1928) sometime before his death in 1928 and likely during his time as superintendent at Sherman Indian School of Riverside, CA. Museum of Riverside records indicate four of the baskets collected by Mr. Hall were acquired from the Banning, CA, area, two originate from the Morongo Reservation, and one basket once had a tag labeling it “Malki.” The three Cahuilla baskets (A284) were donated by Mrs. Peter Reid of Banning, CA, in 1960. The donor of these baskets was a relative of Mr. Charlie Reid who owned a General Store in Banning. In 1997, one Cahuilla basket (P90) was purchased by the Museum of Riverside from Mrs. Maria del Carmen Gasser who purchased it from a Denis Eros auction in the 1980s. It was originally purchased by Mrs. Chlorene Hayword in 1932 from Ms. Martha Rice on the Torres Martinez Reservation, who was described as a Cahuilla Indian in her 90s in 1932.

Determinations

The Museum of Riverside has determined that:

- The 44 objects of cultural patrimony described in this notice have ongoing historical, traditional, or cultural importance central to the Native American group, including any constituent sub-group (such as a band, clan, lineage, ceremonial society, or other subdivision), according to the Native American traditional knowledge of an Indian Tribe or Native Hawaiian organization.
- There is a connection between the cultural items described in this notice and the Morongo Band of Mission Indians, California.

Requests for Repatriation

Additional, written requests for repatriation of the cultural items in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or

a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural items in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the Museum of Riverside must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural items are considered a single request and not competing requests. The Museum of Riverside is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09417 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7132; NPS–WASO–NAGPRA–NPS0042749; PPWOCRADNO–PCU00RP14.R50000]

Notice of Inventory Completion: University of Michigan, Ann Arbor, MI

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the University of Michigan has completed an inventory of human remains (hereinafter referred to as “Ancestral remains” or “Ancestor”) and has determined that there is a cultural affiliation between the Ancestral remains and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the Ancestral remains in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the Ancestral remains in this notice to Dr. Ben Secunda, NAGPRA Office Managing Director, University of Michigan, Office of Research, Suite G269, Lane Hall, Ann Arbor, MI 48109–1274, email bsecunda@umich.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service’s administrative responsibilities under NAGPRA. The determinations in this notice are the

sole responsibility of the University of Michigan, and additional information on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

Ancestral remains representing, at least, one individual have been identified. No associated funerary objects are present. In the summer of 2018, the Ancestor was found in the University of Michigan Museum of Natural History collections. The Ancestor is from an unknown location, United States.

The University of Michigan has no record of, nor do its officials have any knowledge of, any treatment of the Ancestral remains with pesticides, preservatives, or other substances that represent a potential hazard to the collection or to persons handling the collection.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is reasonably identified by the geographical location or acquisition history of the Ancestral remains described in this notice.

Determinations

The University of Michigan has determined that:

- The Ancestral remains described in this notice represent the physical remains of one individual of Native American ancestry.
- There is a connection between the Ancestral remains described in this notice and the Bay Mills Indian Community, Michigan; Grand Traverse Band of Ottawa and Chippewa Indians, Michigan; Hannahville Indian Community, Michigan; Keweenaw Bay Indian Community, Michigan; Lac Vieux Desert Band of Lake Superior Chippewa Indians of Michigan; Little River Band of Ottawa Indians, Michigan; Little Traverse Bay Bands of Odawa Indians, Michigan; Match-E-Be-Nash-She-Wish Band of Pottawatomi (previously listed as Match-E-Be-Nash-She-Wish Band of Pottawatomi Indians of Michigan); Nottawaseppi Huron Band of the Potawatomi, Michigan; Pokagon Band of Potawatomi Indians, Michigan and Indiana; Saginaw Chippewa Indian Tribe of Michigan; and the Sault Ste. Marie Tribe of Chippewa Indians, Michigan.

Requests for Repatriation

Written requests for repatriation of the Ancestral remains in this notice must be sent to the authorized representative identified in this notice under

ADDRESSES. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice and, if joined to a request from one or more of the Indian Tribes, the Burt Lake Band of Ottawa and Chippewa Indians or Grand River Bands of Ottawa Indians, as non-federally recognized Indian groups.

2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or an Indian Tribe or Native Hawaiian organization with cultural affiliation.

Repatriation of the Ancestral remains described in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the University of Michigan must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the Ancestral remains are considered a single request and not competing requests. The University of Michigan is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09401 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7146; NPS-WASO-NAGPRA-NPS0042763; PPWOCRADN0-PCU00RP14.R50000]

Notice of Inventory Completion: California State University, Channel Islands, Camarillo, CA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the California State University, Channel Islands (CSUCI), has completed an inventory of human remains and

associated funerary objects and has determined that there is a cultural affiliation between the human remains and associated funerary objects and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the human remains and associated funerary objects in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the human remains and associated funerary objects in this notice to Amber-Marie Madrid, NAGPRA Director, California State University, Channel Islands, One University Drive, Lindero Hall—Office 2754, Camarillo, CA 93012-8599, email NAGPRA@csuci.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the California State University, Channel Islands, and additional information on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

The one (minimum) associated funerary objects are present. The collection contains unsorted boxes of cultural heritage materials from Camarillo, CA, CA-VEN-863; CalNAGPRA Database—Summary ID 14922. The cultural heritage materials were collected through various projects by Dr. Delaney from 2009–2022, in a geographical location known to be the ancestral homeland of the Chumash people. Given the site is a known burial site and the materials are unsorted it is assumed that funerary objects are present. The collections have not been treated with any hazardous substances.

Human remains representing, at least, one individual have been identified. The one (minimum) associated funerary objects are present. The collection contains multiple unsorted boxes of cultural heritage materials from Camarillo, CA, CA-VEN-1429; CalNAGPRA Database—Summary ID 9. The cultural heritage materials were collected through various projects by Dr. Delaney from 2009–2022, in a geographical location known to be the ancestral homeland of the Chumash people and have been dated to 1000–1500CE. Given the materials are unsorted it is assumed that associated funerary objects are present. The

collections have not been treated with any hazardous substances.

The one (minimum) associated funerary objects are present. The collection contains unsorted boxes of cultural heritage materials from Camarillo, CA, University Park; CalNAGPRA Database—Summary ID 17249. The cultural heritage materials were collected in a geographical location known to be the ancestral homeland of the Chumash people. Given the sensitivity of surrounding sites and that the cultural heritage materials are unsorted it is assumed that funerary objects are present. The collections have not been treated with any hazardous substances.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is reasonably identified by the geographical location or acquisition history of the human remains and associated funerary objects described in this notice.

Determinations

The California State University, Channel Islands has determined that:

- The human remains described in this notice represent the physical remains of one individual of Native American ancestry.
- The three objects described in this notice are reasonably believed to have been placed intentionally with or near individual human remains at the time of death or later as part of the death rite or ceremony.
- There is a connection between the human remains and associated funerary objects described in this notice and the Santa Ynez Band of Chumash Mission Indians of the Santa Ynez Reservation, California.

Requests for Repatriation

Written requests for repatriation of the human remains and associated funerary objects in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice.
2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or an Indian Tribe or Native Hawaiian organization with cultural affiliation.

Repatriation of the human remains and associated funerary objects described in this notice to a requestor may occur on or after June 11, 2026. If

competing requests for repatriation are received, the California State University, Channel Islands must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the human remains and associated funerary objects are considered a single request and not competing requests. The California State University, Channel Islands is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09414 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7142; NPS–WASO–NAGPRA–NPS0042758; PPWOCRADNO–PCU00RP14.R50000]

Notice of Intended Disposition: U.S. Department of the Air Force, Francis E. Warren Air Force Base, Laramie County, WY

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the U.S. Department of the Air Force, Francis E. Warren Air Force Base (F.E. Warren AFB) intends to carry out the disposition of human remains and associated funerary objects removed from Federal or Tribal lands to the lineal descendants, Indian Tribe, or Native Hawaiian organization with priority for disposition in this notice.

DATES: Disposition of the human remains and associated funerary objects in this notice may occur on or after June 11, 2026. If no claim for disposition is received by May 12, 2027, the human remains and associated funerary objects in this notice will become unclaimed human remains and associated funerary objects.

ADDRESSES: Send written claims for disposition of the human remains and associated funerary objects in this notice to Ms. Karin Schubert, Building 321, 300 Vesle Drive, F.E. Warren AFB, WY 82005, email Karin.schubert@us.af.mil.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of F.E. Warren AFB and additional information on the human remains and associated funerary objects in this notice, including the results of consultation, can be found in the related records. The National Park Service is not responsible for the identifications in this notice.

Abstract of Information Available

Based on the information available, human remains representing at least one individual have been reasonably identified. The five associated funerary objects are pottery sherds, found in association with the individual. One bone fragment, representing one ancestor, and the five cord-marked pottery sherds were removed from Laramie County, Wyoming, in 1991 during an archaeological excavation of site 48LA277 conducted by the National Park Service. The pottery sherds were identified as associated funerary objects during consultation with culturally affiliated Tribes. There is no apparent treatment of the individual or associated funerary objects with any hazardous substances.

Determinations

F.E. Warren AFB has determined that:

- The human remains described in this notice represent the physical remains of one individual of Native American ancestry.
- The five objects described in this notice are reasonably believed to have been placed intentionally with or near individual human remains at the time of death or later as part of the death rite or ceremony.
- The Cheyenne and Arapaho Tribes, Oklahoma; Crow Tribe of Montana; Flandreau Santee Sioux Tribe of South Dakota; Little Shell Tribe of Chippewa Indians of Montana; Northern Arapaho Tribe of the Wind River Reservation, Wyoming; Pawnee Nation of Oklahoma; Rosebud Sioux Tribe of the Rosebud Indian Reservation, South Dakota; and the Southern Ute Indian Tribe of the Southern Ute Reservation, Colorado have priority for disposition of the human remains and associated funerary objects described in this notice.

Claims for Disposition

Written claims for disposition of the human remains and associated funerary objects in this notice must be sent to the appropriate official identified in this notice under **ADDRESSES**. If no claim for disposition is received by May 12, 2027,

the human remains and associated funerary objects in this notice will become unclaimed human remains and associated funerary objects. Claims for disposition may be submitted by:

1. Any lineal descendant, Indian Tribe, or Native Hawaiian organization identified in this notice.

2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows that they have priority for disposition.

Disposition of the human remains and associated funerary objects in this notice may occur on or after June 11, 2026. If competing claims for disposition are received, F.E. Warren AFB must determine the most appropriate claimant prior to disposition. Claims for joint disposition of the human remains and associated funerary objects are considered a single claim and not competing claims. F.E. Warren AFB is responsible for sending a copy of this notice to the lineal descendants, Indian Tribes, and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3002, and the implementing regulations, 43 CFR 10.7.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09410 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7140; NPS–WASO–NAGPRA–NPS0042756; PPWOCRADNO–PCU00RP14.R50000]

Notice of Intended Repatriation: Yale Peabody Museum, Yale University, New Haven, CT

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Yale Peabody Museum, Yale University, intends to repatriate certain cultural items that meet the definition of unassociated funerary objects and that have a cultural affiliation with the Indian Tribe in this notice.

DATES: Repatriation of the cultural items in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural items in this notice to Professor Erika

Edwards, Interim Director, Yale Peabody Museum, P.O. Box 208118, New Haven, CT 06520–8118, email erika.edwards@yale.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the Yale Peabody Museum, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of eight cultural items have been requested for repatriation.

A total of three unassociated funerary objects are one lot of stone mortars, one lot of stone pestles, and one lot of stone weights. W. George Washington Harford removed the items from an unspecified provenience in the region of Southern California circa 1871 and donated the material to the Yale Peabody Museum in 1872.

A total of three unassociated funerary objects are one lot of stone mortars, one lot of stone pestles, and one lot of stone weights. Circa 1864–1872, Benjamin Silliman, Jr., removed the items from an unspecified provenience in the region of Southern California and donated the material to the Yale Peabody Museum in 1877.

A total of two unassociated funerary objects are one lot of stone bowls and one lot of stone mortars and pestles. In 1875, Reverend Stephen Bowers removed the items from California. While an exact provenience is unknown, Bowers amassed cultural collections from the region of Santa Barbara and sold the material to Elias Root Beadle circa 1876. The items were donated to the Yale Peabody Museum in 1916 by Herbert H. Beadle.

Determinations

The Yale Peabody Museum has determined that:

- The eight unassociated funerary objects described in this notice are reasonably believed to have been placed intentionally with or near human remains, and are connected, either at the time of death or later as part of the death rite or ceremony of a Native American culture according to the Native American traditional knowledge of a lineal descendant, Indian Tribe, or Native Hawaiian organization. The unassociated funerary objects have been identified by a preponderance of the evidence as related to human remains,

specific individuals, or families, or removed from a specific burial site or burial area of an individual or individuals with cultural affiliation to an Indian Tribe or Native Hawaiian organization.

- There is a connection between the cultural items described in this notice and the Santa Ynez Band of Chumash Mission Indians of the Santa Ynez Reservation, California.

Requests for Repatriation

Additional, written requests for repatriation of the cultural items in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural items in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the Yale Peabody Museum must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural items are considered a single request and not competing requests. The Yale Peabody Museum is responsible for sending a copy of this notice to the Indian Tribe identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09408 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7138; NPS–WASO–NAGPRA–NPS0042754; PPWOCRADNO–PCU00RP14.R50000]

Notice of Intended Repatriation:
University of California, Davis, Davis, CA

AGENCY: National Park Service, Interior.
ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the University of California, Davis (UC

Davis) intends to repatriate a certain cultural item that meets the definition of an object of cultural patrimony and that has a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural item in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural item in this notice to Megan Noble, Repatriation Coordinator, University of California, Davis, 251 Mrak Hall, One Shields Avenue, Davis, CA 95616, email mnnoble@ucdavis.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of UC Davis, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of one cultural item has been requested for repatriation. The object of cultural patrimony is a basket. The University is unaware of any specific treatment of the individual object of cultural patrimony with pesticides, preservatives, or other substances that represent a potential hazard to the objects or to persons handling the objects. However, records located in the Department of Anthropology Museum indicate that approximately 1/3 of the Merriam collection had been treated with Berlou, a dry mothproofing substance used as an insecticide, in 1964. It is unknown which baskets were treated.

The object of cultural patrimony, CHM 103, was purchased by Merriam from a weaver at Blue Lake, Humboldt County, California. The weaver was most likely Laura Stevens. Her married name was possibly Laura Taggart/Taggard according to the claimant Tribe. Merriam took a photo of her and her father, John Stevens, on the same day he purchased the baskets, indicating she is likely the weaver related to this object of cultural patrimony.

Determinations

UC Davis has determined that:

- The one object of cultural patrimony described in this notice has ongoing historical, traditional, or cultural importance central to the Native American group, including any constituent sub-group (such as a band,

clan, lineage, ceremonial society, or other subdivision), according to the Native American traditional knowledge of an Indian Tribe or Native Hawaiian organization.

- There is a reasonable connection between the cultural item described in this notice and the Blue Lake Rancheria, California.

Requests for Repatriation

Additional, written requests for repatriation of the cultural item in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural item in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, UC Davis must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural item are considered a single request and not competing requests. The UC Davis is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09406 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7129; NPS-WASO-NAGPRA-NPS0042746; PPWOCRADN0-PCU00RP14.R50000]

Notice of Intended Repatriation: California Department of Parks and Recreation, Sacramento, CA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the California Department of Parks and Recreation intends to repatriate a certain

cultural item that meets the definition of a sacred object and that has a known lineal descendant.

DATES: Repatriation of the cultural item in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural item in this notice to Dr. Leslie L. Hartzell, NAGPRA Coordinator, California Department of Parks and Recreation, P.O. Box 942896, Sacramento, CA 94296-0001, email Leslie.Hartzell@parks.ca.gov.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the California Department of Parks and Recreation, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of one cultural item has been requested for repatriation. The one sacred object is a basket. In the late 1890s and early 1900s, the basket was collected by Gertrude F. White from the Hat Creek or Big Bend areas in Shasta County, California. In 1962, the basket was donated to State Parks by the estate of Lottie J. White, younger sister of Gertrude F. White.

Determinations

The California Department of Parks and Recreation has determined that:

- The one sacred object described in this notice is a specific ceremonial object needed by a traditional Native American religious leader for present-day adherents to practice traditional Native American religion, according to the Native American traditional knowledge of a lineal descendant, Indian Tribe, or Native Hawaiian organization.

- Corina Lego is connected to the cultural item described in this notice.

Requests for Repatriation

Additional, written requests for repatriation of the cultural item in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or

a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural item in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the California Department of Parks and Recreation must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural item are considered a single request and not competing requests. The California Department of Parks and Recreation is responsible for sending a copy of this notice to all requestors and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09398 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7137; NPS-WASO-NAGPRA-NPS0042753; PPWOCRADN0-PCU00RP14.R50000]

Notice of Inventory Completion: Princeton University, Princeton, NJ

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), Princeton University has completed an inventory of human remains and has determined that there is a cultural affiliation between the human remains and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the human remains in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the human remains in this notice to Lauren Jakobsson, Cultural Property and Human Remains Repatriation Program, Princeton University Art Museum, Princeton University, Princeton, NJ 08544, email HROBPrinceton@princeton.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of Princeton University and additional information

on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

Human remains representing, at least, one individual has been identified. No associated funerary objects are present. In March 1907, Princeton Paleontology/Geosciences Professor Gilbert Van Ingen and students removed the human remains (Ancestor) from “Indianfield Bluff,” West of Yorktown, York County, Virginia, during a paleontological expedition. In 1907, the Ancestor was accessioned to the now defunct Princeton Museum of Natural History and became part of the vertebrate paleontology teaching collection. Princeton University has no knowledge or record of the presence of any potentially hazardous substances used to treat the human remains.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is reasonably identified by the geographical location of the human remains described in this notice.

Determinations

Princeton University has determined that:

- The human remains described in this notice represent the physical remains of one individual of Native American ancestry.
- There is a connection between the human remains described in this notice and the Chickahominy Indian Tribe; Chickahominy Indian Tribe—Eastern Division; Nansemond Indian Nation; Pamunkey Indian Tribe; Rappahannock Tribe, Inc.; and the Upper Mattaponi Tribe.

Requests for Repatriation

Written requests for repatriation of the human remains in this notice must be sent to the authorized representative identified in this notice under

ADDRESSES. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice.
 2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or an Indian Tribe or Native Hawaiian organization with cultural affiliation.
- Repatriation of the human remains described in this notice to a requestor

may occur on or after June 11, 2026. If competing requests for repatriation are received, Princeton University must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the human remains are considered a single request and not competing requests. Princeton University is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09405 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7144; NPS–WASO–NAGPRA–NPS0042761; PPWOCRADNO–PCU00RP14.R50000]

Notice of Inventory Completion: Field Museum, Chicago, IL

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Field Museum has completed an inventory of human remains and has determined that there is a known lineal descendant connected to the human remains in this notice.

DATES: Repatriation of the human remains in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the human remains in this notice to June Carpenter, Field Museum, 1400 South Lake Shore Drive, Chicago, IL 60605, email jcarpenter@fieldmuseum.org.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the Field Museum, and additional information on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

Human remains representing, at least, one individual have been identified. No associated funerary objects are present. The human remains are hair clippings belonging to one individual identified as Sargent Kahanamoku. Field Museum staff believe they were collected by Malvina Hoffman during her 1931 research trip to Hawai'i for the Field Museum's Hall of Man. The hair clippings were accessioned into the Field Museum's collection in 1933. There is no known presence of any potentially hazardous substances.

Lineal Descendant

Based on the information available and the results of consultation, a lineal descendant is connected to the human remains described in this notice.

Determinations

The Field Museum has determined that:

- The human remains described in this notice represent the physical remains of one individual of Native American ancestry.
- Didi Robello is connected to the human remains described in this notice.

Requests for Repatriation

Written requests for repatriation of the human remains in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES.** Requests for repatriation may be submitted by:

1. The known lineal descendant connected to the human remains.
2. Any other lineal descendant not identified who shows, by a preponderance of the evidence, that the requestor is a lineal descendant.

Repatriation of the human remains described in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the Field Museum must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the human remains are considered a single request and not competing requests. The Field Museum is responsible for sending a copy of this notice to the lineal descendant and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09412 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR**National Park Service**

[N7145; NPS-WASO-NAGPRA-
NPS0042762; PPWOCRADN0-
PCU00RP14.R50000]

**Notice of Intended Repatriation:
Kalamazoo Valley Museum,
Kalamazoo, MI**

AGENCY: National Park Service, Interior.
ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Kalamazoo Valley Museum intends to repatriate a certain cultural item that meets the definition of a sacred object/object of cultural patrimony and that has a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural item in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural item in this notice to Regina Gorham, Collections Manager for the Kalamazoo Valley Museum, 230 N Rose Street, Kalamazoo, MI 49007, email rgorham@kvcc.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the Kalamazoo Valley Museum, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of one have been requested for repatriation. The one sacred object/object of cultural patrimony is a basket. The bowl-shaped basket, coiled. Tan willow body with bottom of lighter shade. Fire and arrow design in triangular designs, four arrow points on bottom having tips of brown, rest of design black. The basket was purchased by Albert May Todd at Whalen's Curio Store in Los Angeles, California in April 1917. It was located to the museum in September 1927 and donated in 1932 after the passing of Albert May Todd.

Determinations

The Kalamazoo Valley Museum has determined that:

- The one sacred object/object of cultural patrimony described in this

notice is, according to the Native American traditional knowledge of an Indian Tribe or Native Hawaiian organization, a specific ceremonial object needed by a traditional Native American religious leader for present-day adherents to practice traditional Native American religion, and have ongoing historical, traditional, or cultural importance central to the Native American group, including any constituent sub-group (such as a band, clan, lineage, ceremonial society, or other subdivision).

- There is a connection between the cultural item described in this notice and the Yuhaaviatam of San Manuel Nation (previously listed as San Manuel Band of Mission Indians, California).

Requests for Repatriation

Additional, written requests for repatriation of the cultural item in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural item in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the Kalamazoo Valley Museum must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural item are considered a single request and not competing requests. The Kalamazoo Valley Museum is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09413 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR**National Park Service**

[N7141; NPS-WASO-NAGPRA-
NPS0042757; PPWOCRADN0-
PCU00RP14.R50000]

**Notice of Inventory Completion: U.S.
Department of the Air Force, Francis E.
Warren Air Force Base, Laramie
County, WY**

AGENCY: National Park Service, Interior.
ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the U.S. Department of the Air Force, Francis E. Warren Air Force Base (F.E. Warren AFB) has completed an inventory of human remains and has determined that there is a cultural affiliation between the human remains and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the human remains in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the human remains in this notice to Ms. Karin Schubert, Building 321, 300 Vesle Drive, F.E. Warren AFB, WY 82005, email Karin.schubert@us.af.mil.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of F.E. Warren AFB and additional information on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

Human remains representing two individuals have been identified. No associated funerary objects are present. In March 2024, F.E. Warren AFB found in their collection two bone fragments which were identified as human remains. The individuals are believed to have been removed from sites 48LA106 and 48LA265 in Laramie County, Wyoming, between 1983 and 1984. There is no apparent treatment of the individuals or associated funerary objects with any hazardous substances.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is reasonably identified by the geographical location or acquisition

history of the human remains described in this notice.

Determinations

F.E. Warren AFB has determined that:

- The human remains described in this notice represent the physical remains of two individuals of Native American ancestry.

- There is a connection between the human remains described in this notice and the Cheyenne and Arapaho Tribes, Oklahoma; Crow Tribe of Montana; Flandreau Santee Sioux Tribe of South Dakota; Little Shell Tribe of Chippewa Indians of Montana; Northern Arapaho Tribe of the Wind River Reservation, Wyoming; Pawnee Nation of Oklahoma; Rosebud Sioux Tribe of the Rosebud Indian Reservation, South Dakota; and the Southern Ute Indian Tribe of the Southern Ute Reservation, Colorado.

Requests for Repatriation

Written requests for repatriation of the human remains in this notice must be sent to the authorized representative identified in this notice under

ADDRESSES. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice.

2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or an Indian Tribe or Native Hawaiian organization with cultural affiliation.

Repatriation of the human remains described in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, F.E. Warren AFB must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the human remains are considered a single request and not competing requests. F.E. Warren AFB is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09409 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7157; NPS-WASO-NAGPRA-NPS0042771; PPWOCRADNO-PCU00RP14.R50000]

Notice of Inventory Completion: Diablo Valley College, Pleasant Hill, CA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), Diablo Valley College has completed an inventory of associated funerary objects and has determined that there is a cultural affiliation between the associated funerary objects and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the associated funerary objects in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the associated funerary objects in this notice to Marta Gillen, Diablo Valley College, 321 Golf Club Road, Pleasant Hill, CA 94523, email nagpra@dvc.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of Diablo Valley College, and additional information on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

On March 17, 2022, ancestral human remains removed from the "La Serena archaeological excavation site" in Alamo, California, were published in a Notice of Inventory Completion in the **Federal Register** (87 FR 15263). In August of 1977, the ancestral human remains were donated to Diablo Valley College by S. Herrmann. In 2025, seven associated funerary objects were identified. The objects were also removed by E. Herrmann in 1972 and 1973. No additional ancestral human remains were identified. Of the seven associated funerary objects, three are present and four are currently missing. Diablo Valley College has no knowledge or record of any potentially hazardous substances being used to treat the associated funerary objects.

On March 17, 2022, ancestral human remains removed from Galindo Creek in

Concord, California, were published in a Notice of Inventory Completion in the **Federal Register** (87 FR 15263). In 1964, the ancestral human remains were donated to Diablo Valley College by Charles Sapper. In 2025, five associated funerary objects were identified. No additional ancestral human remains were identified. Of the five associated funerary objects, one is present and four are currently missing. Diablo Valley College has no knowledge or record of any potentially hazardous substances being used to treat the associated funerary objects.

On March 17, 2022, ancestral human remains removed from Danville, California, were published in a Notice of Inventory Completion in the **Federal Register** (87 FR 15263). During 1972 or 1973, the ancestral human remains were donated to Diablo Valley College by Rick Hicks. In 2025, four associated funerary objects were identified. The objects were removed September 1, 1971. No additional ancestral human remains were identified. Of the four associated funerary objects, two are present and two are currently missing. Diablo Valley College has no knowledge or record of any potentially hazardous substances being used to treat the associated funerary objects.

On March 17, 2022, ancestral human remains and associated funerary objects removed from Knightsen Mound, close to Oakley, California, were published in a Notice of Inventory Completion in the **Federal Register** (87 FR 15263). In 1964, the ancestral human remains were donated to Diablo Valley College by Jerry Wentling. In 2025, 14 additional associated funerary objects were identified. The objects were collected May 16, 1905. No additional ancestral human remains were identified. Of the 14 associated funerary objects, three are present and 11 are currently missing. Diablo Valley College has no knowledge or record of any potentially hazardous substances being used to treat the associated funerary objects.

On March 17, 2022, ancestral human remains removed from Site A.A.-1, Lafayette, California, were published in a Notice of Inventory Completion in the **Federal Register** (87 FR 15263). In 1965, the ancestral human remains were donated to Diablo Valley College by Rick Bonnington. In 2025, seven associated funerary objects were identified. The objects were collected May 18, 1905. No additional ancestral human remains were identified. Of the seven associated funerary objects, two are present and five are currently missing. Diablo Valley College has no knowledge or record of any potentially

hazardous substances being used to treat the associated funerary objects.

On March 17, 2022, ancestral human remains removed from Site A.A.-2, Lafayette, California, were published in a Notice of Inventory Completion in the **Federal Register** (87 FR 15263). In 1965, the ancestral human remains were donated to Diablo Valley College by Rick Bonnington. In 2025, eight associated funerary objects were identified in documentation. The objects were collected May 18, 1905. No additional ancestral human remains were identified. Of the eight associated funerary objects, all are currently missing. Diablo Valley College has no knowledge or record of any potentially hazardous substances being used to treat the associated funerary objects.

On March 17, 2022, ancestral human remains removed from Site A.A.-3, Lafayette, California, were published in a Notice of Inventory Completion in the **Federal Register** (87 FR 15263). In 1965, the ancestral human remains were donated to Diablo Valley College by Rick Bonnington. In 2025, six associated funerary objects were identified in documentation. The objects were collected May 18, 1905. No additional ancestral human remains were identified. Of the six associated funerary objects, all are currently missing. Diablo Valley College has no knowledge or record of any potentially hazardous substances being used to treat the associated funerary objects.

On March 17, 2022, ancestral human remains removed from A.A.-4, Lafayette, California, were published in a Notice of Inventory Completion in the **Federal Register** (87 FR 15263). In 1965, the ancestral human remains were donated to Diablo Valley College by Rick Bonnington. In 2025, one associated funerary object was identified. The object was collected May 18, 1905. No additional ancestral human remains were identified. Diablo Valley College has no knowledge or record of any potentially hazardous substances being used to treat the associated funerary objects.

On March 17, 2022, ancestral human remains removed from San Ramon, California, were published in a Notice of Inventory Completion in the **Federal Register** (87 FR 15263). In 1972 and 1973, the ancestral human remains were donated to Diablo Valley College by Rick Hicks. In 2025, nine associated funerary objects were identified in documentation. The objects were collected in 1971. No additional ancestral human remains were identified. Of the nine associated funerary objects, all are currently missing. Diablo Valley College has no

knowledge or record of any potentially hazardous substances being used to treat the associated funerary objects.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is clearly identified by the information available about the associated funerary objects described in this notice.

Determinations

The Diablo Valley College has determined that:

- The 61 objects described in this notice are reasonably believed to have been placed intentionally with or near individual human remains at the time of death or later as part of the death rite or ceremony.
- There is a connection between the associated funerary objects described in this notice and the Wilton Rancheria, California.

Requests for Repatriation

Written requests for repatriation of the associated funerary objects in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice and, if joined to a request from one or more of the Indian Tribes Muwekma Ohlone, and the Lisjan Nation, both non-federally recognized Indian groups.
2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or an Indian Tribe or Native Hawaiian organization with cultural affiliation.

Repatriation of the associated funerary objects described in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, Diablo Valley College must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the associated funerary objects are considered a single request and not competing requests. Diablo Valley College is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09420 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7148; NPS–WASO–NAGPRA–NPS0042766; PPWOCRADNO–PCU00RP14.R50000]

Notice of Inventory Completion: Kansas State Historical Society, Topeka, KS

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Kansas State Historical Society (KSHS) has completed an inventory of human remains and associated funerary objects and has determined that there is a cultural affiliation between the human remains and associated funerary objects and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the human remains and associated funerary objects in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the human remains and associated funerary objects in this notice to Dr. Nicole Klarmann, Kansas State Historical Society, 6425 SW 6th Avenue, Topeka, KS 66615–1099, email kshs.nagpra@ks.gov.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the KSHS, and additional information on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

Human remains representing, at least, two individuals have been identified from Atchison County, KS (UBS2002–08, UBS 2004–22). No associated funerary objects are present. These remains were removed from within or near the Delaware River with no other provenience information.

Human remains representing, at least, three individuals have been identified from Atchison County, KS (UBS 2006–03, UBS 2013–18) and Pottawatomie

County, KS (UBS 2003–09). No associated funerary objects are present. Remains from UBS 2006–03 were removed from White Clay Creek. Remains from UBS 2013–18 were removed from Independence Creek. And remains from UBS 2003–09 were removed from a gravel bar on the Republican River. Provenience is limited to the rivers they were encountered by.

Human remains representing, at least, one individual have been identified from Atchison County, KS (UBS 2023–02). The five associated funerary objects are rusted nails. Remains were removed from a dirt pile from a recently dug grave in a local cemetery. The remains and objects were transferred to KSHS in 2023.

Human remains representing, at least, one individual have been identified from Douglas County, KS (UBS 2001–16). The 40 associated funerary objects include a dart point, a drill, a cast of a drill point, stone, a grinding slab, bags of soil, and deer bone fragments. A burial was found eroding at the edge of the lake and was excavated in 2001. Portions of the remains were reconstructed, however, the site files do not state the substance used.

Human remains representing, at least, three individuals have been identified from Jefferson County, KS (UBS 1991–51). The 16 associated funerary objects include sherds, debitage, burned earth, and rock. This village site was excavated by KSHS as part of the construction of Perry Reservoir between 1971 to 1972.

Human remains representing, at least, one individual have been identified from Jefferson County, KS (UBS 2000–10). The 49 associated funerary objects include sherds, stone tools, and fish bone. Fragmentary remains and objects were removed during a KSHS survey of Perry Lake in 1963.

Human remains representing, at least, seven individuals have been identified from Morris County, KS (UBS 1991–55). The 101 funerary objects include a pottery sherd, projectile points, shell beads, shell fragments, stones, animal bones, and debitage. A rock-filled mound was partially excavated by KSHS for the Council Grove Reservoir project in 1961 and 1962. Reconstruction of teeth and other remains have occurred, however, the substance used is not noted in the site files.

Human remains representing, at least, one individual have been identified from Morris County, KS (UBS 2025–15B). The 80 associated funerary objects include animal claws, an animal tooth, and shell beads. A local individual

removed remains and objects from a mound near the Neosho River in the early to mid-1900s. Their relative then gave these remains and objects to the Herington Historical Museum in 1986, who then transferred everything to KSHS in 2026. Some of the remains may have been reconstructed with plaster of Paris and some of the objects have been repaired with an unspecified glue.

Human remains representing, at least, three individuals have been identified from Pottawatomie County, KS (UBS 2001–14). The 13 associated funerary objects include chipped stone tools, a celt, and flakes. The remains and objects were removed from a hilltop mound around 1897 by J.V. Brower. He gave his collection to the Minnesota State Historical Society who then transferred it to KSHS in 1923.

Human remains representing, at least, two individuals have been identified from Pottawatomie County, KS (UBS 2001–21). The nine associated funerary objects include a shell bead, projectile points, a dart point, and an axe. Remains and objects were removed from a site near the Big Blue River around 1897 by J.V. Brower. He gave his collection to the Minnesota State Historical Society who then transferred it to KSHS in 1923.

Human remains representing, at least, six individuals have been identified from Shawnee County, KS (UBS 1990–24). No associated funerary objects are present. An earthen/rock mound was excavated on a ridgetop near the Kansas River by the University of Kansas in 1955. The remains were transferred to KSHS in 1976.

Human remains representing, at least, one individual have been identified from Wyandotte County, KS (UBS 2010–05). The 25 associated funerary objects include stone, animal teeth, and rock. A human tooth and associated funerary objects were found in the collection from this site by KSHS lab staff in 2010. This camp site was identified on a terrace near Connor Creek around 1972.

Human remains representing, at least, nine individuals have been identified from Wyandotte County, KS (UBS 1991–73). The 227 associated funerary objects include chipped stone tools, pottery sherds, bird bone beads, burned earth and wood, charcoal, snail shells, animal bone, limestone, shell fossils, seeds, hematite, cores, iron nails, glass sherds, and wire and metal pieces. A burial mound was excavated by KSHS prior to a highway project in 1974. Some of the limestone slabs were treated with a diluted glue solution and glue is also present on the bird bones.

Human remains representing, at least, one individual have been identified

from Atchison, Brown, Doniphan, or Leavenworth County, KS or Richardson County, NE (UBS 2001–04). The 58 associated funerary objects are glass beads. An amateur archeologist conveyed remains and objects to KSHS in 1925. The noted counties are where he took remains and objects from, which is the extent of the provenience information available.

Human remains representing, at least, 39 individuals have been identified in Douglas County, KS (UBS 1995–31, UBS 2007–19, UBS 2008–03, UBS 2016–09, UBS 2020–08, UBS 2020–09, UBS 2021–07, UBS 2021–11), Jefferson County, KS (UBS 1997–01, UBS 2012–04), Johnson County, KS (UBS 1999–02, UBS 2013–10, UBS 2015–10, UBS 2020–01), Pottawatomie County, KS (UBS 1996–08, UBS 1998–05, UBS 1999–17, UBS 2000–01, UBS 2000–02, UBS 2007–17), Shawnee County, KS (UBS 1993–24, UBS 1995–01, UBS 1996–19, UBS 1998–03, UBS 1998–09, UBS 1999–28, UBS 2003–28, UBS 2008–01, UBS 2008–04, UBS 2008–09, UBS 2008–10, UBS 2016–11), and Wyandotte County, KS (UBS 1992–18, UBS 1992–26, UBS 1995–27, UBS 1998–10). No associated funerary objects are present. All remains were removed from within or along the Kansas River and have no other provenience information.

Human remains representing, at least, two individuals have been identified in Douglas County, KS (UBS 2023–12) and Shawnee County, KS (UBS 2023–08). No associated funerary objects are present. These human remains were removed from within or along unnamed rivers and have no other provenience information.

Human remains representing, at least, 14 individuals have been identified from Doniphan County, KS (UBS 2019–04), Douglas County, KS (UBS 2004–15, UBS 2017–11, UBS 2017–12), Johnson County, KS (UBS 2017–07, UBS 2020–05), Pottawatomie County, KS (UBS 1991–63), Shawnee County, KS (UBS 2005–24, UBS 2023–15), and Wyandotte County, KS (UBS 1989–11, UBS 1994–05, UBS 2001–05, UBS 2016–04, UBS 2020–04). No associated funerary objects are present. These remains were transferred to KSHS with county-level provenience only. UBS 2004–15 was likely preserved with a coat of Gelva (a polyvinyl acetate polymer) or PVA (polyvinyl acetate) and some of the teeth appear to be adhered to the mandible using a resin glue. UBS 2017–07 has resin or shellac present, a yellowed glue/adhesive, and remnants of a white plaster-like substance on some of the remains. UBS 2020–04 has glue reconstructing parts of a mandible.

Human remains representing, at least, five individuals have been identified from Brown and Doniphan County, KS (UBS 1991–76A). No associated funerary objects are present. These remains were brought to the Iowa Sac and Fox Mission/Highland Mission over time and their provenience is limited. They were transferred to KSHS in 1991.

Human remains representing, at least, 19 individuals have been identified from unknown locations across Kansas, and potentially Nebraska and North Dakota (UBS 1996–10, UBS 2013–07, UBS 2021–02, UBS 2021–03, UBS 1995–34A, UBS 1995–34C, UBS 2001–12, UBS 2001–19, UBS 2005–11, UBS 2024–13, UBS 1989–19C, UBS 1992–02, UBS 2023–25). No associated funerary objects are present. Provenience is unknown for these remains. UBS 1989–19C may have shellac on the remains.

Human remains representing, at least, two individuals have been identified from Kansas, Nebraska, or North Dakota (UBS 2007–02). The 16 associated funerary objects are animal bone fragments. Fragmented remains and objects were removed in the late 1800s or early 1900s by J.V. Brower, likely from a mound. Brower removed remains and objects from these states, however, no other provenience information is available. He gave his collection to the Minnesota State Historical Society who then transferred it to KSHS in 1923.

Human remains representing, at least, one individual have been identified, possibly from Oklahoma (UBS 1991–83). No associated funerary objects are present. A label attached to the remains said, “Indian Territory.” A military captain gave the remains to KSHS in 1882 with no other provenience information.

Human remains representing, at least, one individual have been identified, possibly from Oklahoma (UBS 1991–95). No associated funerary objects are present. Human remains were transferred to KSHS from the Harvey County Museum in Newton, KS in 1992. The label for the remains said, ‘D.S. Estate-OKLA’ but no other provenience information was provided. Visible wire and holes present indicate that these remains may have been used in a medical setting.

Human remains representing, at least, one individual have been identified (UBS 1992–24B). No associated funerary objects are present. Father Felix Nolte, a priest and professor at Benedictine College in Atchison, KS had these remains in the College museum collections with no provenience or catalog information. They were transferred to KSHS in 1992.

Human remains representing, at least, two individuals have been identified (UBS 1989–18E, UBS 1996–33B). The one associated funerary object (from UBS 1989–18E) is a rusted metal piece. These remains and object do not have any provenience information, however, they were transferred to KSHS from the Ft. Hays State University/Sternberg Museum collections in 1989 and 1996 respectively.

Human remains representing, at least, two individuals have been identified (UBS 1996–25) from Woodson, Wilson, Greenwood, Allen and Anderson counties in KS. No associated funerary objects are present. A local individual began surface collecting in these counties from 1919 onward and transferred these remains to KSHS in 1985 and 1986.

Unless noted above, and to the best of our knowledge, no hazardous substances were used to treat any of the human remains or associated funerary objects.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is reasonably identified by the geographical location or acquisition history of the human remains and associated funerary objects described in this notice.

Determinations

The KSHS has determined that:

- The human remains described in this notice represent the physical remains of 129 individuals of Native American ancestry.
- The 640 objects described in this notice are reasonably believed to have been placed intentionally with or near individual human remains at the time of death or later as part of the death rite or ceremony.
- There is a connection between the human remains and associated funerary objects described in this notice and the Kaw Nation, Oklahoma.

Requests for Repatriation

Written requests for repatriation of the human remains and associated funerary objects in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice.
2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or

an Indian Tribe or Native Hawaiian organization with cultural affiliation.

Repatriation of the human remains and associated funerary objects described in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the KSHS must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the human remains and associated funerary objects are considered a single request and not competing requests. The KSHS is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09422 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7135; NPS–WASO–NAGPRA–NPS0042752; PPWOCRADN0–PCU00RP14.R50000]

Notice of Inventory Completion: University of Texas at Austin, Texas Archeological Research Laboratory, Austin, TX

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the University of Texas at Austin, Texas Archeological Research Laboratory (TARL) has completed an inventory of human remains and associated funerary objects and has determined that there is a cultural affiliation between the human remains and associated funerary objects and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the human remains and associated funerary objects in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the human remains and associated funerary objects in this notice to Jessica Ulmer, The University of Texas at Austin Texas Archaeological Research Laboratory, 1 University Station, R7500, Austin, TX 78712, email jessica.ulmer@austin.utexas.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of TARL, and additional information on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

Human remains representing, at least, 22 individuals have been identified. The 342,744 associated funerary objects are wooden and copper objects, stone and ceramic earpools, lithic tools, ceramic sherds, ceramic vessels, shells, beads, faunal bone, charcoal samples, and soil samples.

Of the total individuals and materials, two individuals and 160,752 associated funerary objects are from archaeological site 41RR16 in Red River County. Multiple archaeological projects conducted between 1931 and 2006 led to Native American human remains and associated funerary objects being removed from site. Between 1930 and 2006, the above human remains and associated funerary objects came to be held at TARL. The site has historically been associated with the Caddo Nation of Oklahoma.

The remaining 20 individuals and 181,992 funerary objects are from the Caddoan Mound State Historic Site, 41CE19 in Cherokee County. Multiple archaeological projects conducted between 1933 and 2012 led to Native American human remains and associated funerary objects being removed from site. Between 1968 and 1970, the human remains and associated funerary objects came to be held at TARL. The site has long been associated with the Caddo Nation of Oklahoma.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is clearly identified by the information available about the human remains and associated funerary objects described in this notice.

Determinations

TARL has determined that:

- The human remains described in this notice represent the physical remains of 22 individuals of Native American ancestry.
- The 342,744 objects described in this notice are reasonably believed to have been placed intentionally with or near individual human remains at the

time of death or later as part of the death rite or ceremony.

- There is a connection between the human remains and associated funerary objects described in this notice and the Caddo Nation of Oklahoma.

Requests for Repatriation

Written requests for repatriation of the human remains and associated funerary objects in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice.
2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or an Indian Tribe or Native Hawaiian organization with cultural affiliation.

Repatriation of the human remains and associated funerary objects described in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, TARL must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the human remains and associated funerary objects are considered a single request and not competing requests. The TARL is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09404 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7156; NPS-WASO-NAGPRA-NPS0042770; PPWOCRADNO-PCU00RP14.R50000]

Notice of Intended Repatriation: Robert S. Peabody Institute of Archaeology, Andover, MA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Robert

S. Peabody Institute of Archaeology (RSPI) intends to repatriate a certain cultural item that meets the definition of a sacred object/object of cultural patrimony and that has a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural item in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural item in this notice to Ryan Wheeler, Robert S. Peabody Institute of Archaeology, 180 Main Street, Andover, MA 01810, email rwheeler@andover.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the RSPI, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of one cultural item has been requested for repatriation. The one sacred object/object of cultural patrimony is a stone pipe. The stone pipe (192/22972) was transferred to the RSPI in 1962 from the Merrimack Valley Textile Museum along with another pipe and pipe stem and bone and wooden flutes and flageolets. There is no known presence of any potentially hazardous substances.

Determinations

The RSPI has determined that:

- The one sacred object/object of cultural patrimony described in this notice are, according to the Native American traditional knowledge of an Indian Tribe or Native Hawaiian organization, specific ceremonial object needed by a traditional Native American religious leader for present-day adherents to practice traditional Native American religion, and have ongoing historical, traditional, or cultural importance central to the Native American group, including any constituent sub-group (such as a band, clan, lineage, ceremonial society, or other subdivision).

- There is a connection between the cultural item described in this notice and the Pawnee Nation of Oklahoma.

Requests for Repatriation

Additional, written requests for repatriation of the cultural item in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural item in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the RSPi must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural item are considered a single request and not competing requests. The RSPi is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09418 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7134; NPS-WASO-NAGPRA-NPS0042751; PPWOCRADN0-PCU00RP14.R50000]

Notice of Intended Repatriation: New York State Museum, Albany, NY

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the New York State Museum intends to repatriate certain cultural items that meet the definition of objects of cultural patrimony and that have a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural items in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural

items in this notice to Gwendolyn Saul, New York State Museum, 222 Madison Avenue, Albany, NY 12230, email gwendolyn.saul@nysed.gov.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the New York State Museum, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of four cultural items has been requested for repatriation. The four objects of cultural patrimony are E-50040, three strings of purple wampum; E-50044, three strings of purple and white wampum; E-50048 two strings of white wampum, each strand with four purple wampum; and E-50049, nine strings of white wampum, approximately two feet long.

The four wampum strings were collected by theologian, researcher, and archaeologist William Beauchamp (1830-1925), between 1878-1895. William Beauchamp served as an archaeologist and researcher at NYSM 1884-1910. According to Beauchamp's diary and publications, the strings were originally the property of Oneida Chief Abraham (Abram) Hill, living at Onondaga. Beauchamp acquired two of the wampum strings (E-50040 and E-50044) from Chief Hill's wife after Chief Hill passed away in 1895. A third wampum string (E-50048) was acquired by Beauchamp from Chief Hill, in May 1880. Beauchamp acquired a fourth wampum string (E-50049) that belonged to Chief Hill, from Mrs. La Fort, after Chief Hill passed away. In 1949, Grace Beauchamp Lodder, William Beauchamp's daughter, donated the strings to the NYSM collections.

Determinations

The New York State Museum has determined that:

- The four objects of cultural patrimony described in this notice have ongoing historical, traditional, or cultural importance central to the Native American group, including any constituent sub-group (such as a band, clan, lineage, ceremonial society, or other subdivision), according to the Native American traditional knowledge of an Indian Tribe or Native Hawaiian organization.

- There is a connection between the cultural items described in this notice and the Oneida Indian Nation.

Requests for Repatriation

Additional, written requests for repatriation of the cultural items in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural items in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the New York State Museum must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural items are considered a single request and not competing requests. The New York State Museum is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09403 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7143; NPS-WASO-NAGPRA-NPS0042760; PPWOCRADN0-PCU00RP14.R50000]

Notice of Inventory Completion: University of Northern Colorado, Greeley, CO

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the University of Northern Colorado (UNC) has completed an inventory of human remains and has determined that there is a cultural affiliation between the human remains and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the human remains in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the human remains in this notice to Dr. Andy Creekmore, University of Northern Colorado, Department of Anthropology, 501 20th Street, Campus Box 90, Greeley CO 80639, email NAGPRA@unco.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the UNC, and additional information on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

Human remains representing, at least, seven individuals have been identified. No associated funerary objects are present. These individuals, UNC catalog numbers 374, 375, 379, 385, SK-009, 107, 108, and 109, are represented by seven adult skulls, one left femur, and various post-cranial skeletal elements representing a minimum of one individual. The skulls indicate that three individuals were probable male, three probable female, and one of indeterminate sex. A total of 20 "Cliff Dweller" skulls are recorded as donated to the UNC in 1910 by Prof. Edgar Lee Hewett, who may have sent additional remains that were not officially recorded. Around that time Prof. Hewett excavated numerous burials from sites around the Pajarito Plateau in New Mexico. Based on the characteristics of the remains, which indicate an archaeological origin and features consistent with members of that population, as well as markings and labels added to the bones that are consistent with markings on unrelated ceramics donated to UNC by Hewett, we believe that these seven partial individuals are from the original group of 20, and that we may reasonably associate them with the Pajarito Plateau due to Hewett's work there around the time of the donation. San Ildefonso Pueblo is the consulting Tribe located nearest to the Pajarito Plateau and the expected geographical location from which the remains were likely removed.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is reasonably identified by the geographical location or acquisition

history of the human remains described in this notice.

Determinations

The UNC has determined that:

- The human remains described in this notice represent the physical remains of seven individuals of Native American ancestry.
- There is a connection between the human remains described in this notice and the Pueblo of San Ildefonso, New Mexico.

Requests for Repatriation

Written requests for repatriation of the human remains in this notice must be sent to the authorized representative identified in this notice under

ADDRESSES. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice.
2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or an Indian Tribe or Native Hawaiian organization with cultural affiliation.

Repatriation of the human remains described in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the UNC must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the human remains are considered a single request and not competing requests. The UNC is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09411 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7153; NPS-WASO-NAGPRA-NPS0042769; PPWOCRADNO-PCU00RP14.R50000J]

Notice of Inventory Completion:
California Department of
Transportation, Oakland, CA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the California Department of Transportation (Caltrans) has completed an inventory of associated funerary objects and has determined that there is a cultural affiliation between the associated funerary objects and Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the associated funerary objects in this notice may occur on or after June 11, 2026.

ADDRESSES: Send written requests for repatriation of the associated funerary objects in this notice to Cesar Villanueva, PQS Principal Investigator—Precontact Archaeology, California Department of Transportation, District 4, 111 Grand Avenue, Oakland, CA 94612, email Cesar.Villanueva@dot.ca.gov.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the Caltrans, and additional information on the determinations in this notice, including the results of consultation, can be found in its inventory or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

Associated funerary objects identified as 357 catalog entries representing lithics, paleobotanicals, soil samples, faunal remains, shell, light fraction samples, ground stone, and post-contact historic artifacts. Of the 357 associated funerary objects, four catalog numbers are missing, and Caltrans and Sonoma State University (SSU) continue to look for them. This collection is from Sonoma County along Highway 1 and is housed at SSU. The collection is the result of Caltrans project-delivery related excavations at CA-SON-348/H (Accession No. 2013-18) in 2008 and 2009. There are no known/documented potentially hazardous substances used to treat any of the cultural items.

Cultural Affiliation

Based on the information available and the results of consultation, cultural affiliation is clearly identified by the information available about the associated funerary objects described in this notice.

Determinations

Caltrans has determined that:

- The 357 objects described in this notice are reasonably believed to have been placed intentionally with or near individual human remains at the time of death or later as part of the death rite or ceremony.

- There is a connection between associated funerary objects described in this notice and the Federated Indians of Graton Rancheria, California and the Kashia Band of Pomo Indians of the Stewarts Point Rancheria, California.

Requests for Repatriation

Written requests for repatriation of the associated funerary objects in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by:

1. Any one or more of the Indian Tribes or Native Hawaiian organizations identified in this notice.

2. Any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or an Indian Tribe or Native Hawaiian organization with cultural affiliation.

Repatriation of the associated funerary objects described in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, Caltrans must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the associated funerary objects are considered a single request and not competing requests. Caltrans is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3003, and the implementing regulations, 43 CFR 10.10.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09416 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7139; NPS–WASO–NAGPRA–NPS0042755; PPWOCRADN0–PCU00RP14.R50000]

Notice of Intended Repatriation:
University of California, Davis, Davis, CA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the University of California, Davis (UC Davis) intends to repatriate certain cultural items that meet the definition of objects of cultural patrimony and that have a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural items in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural items in this notice to Megon Noble, Repatriation Coordinator, University of California, Davis, 251 Mrak Hall, One Shields Avenue, Davis, CA 95616, email mnoble@ucdavis.edu.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of UC Davis, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of three cultural items have been requested for repatriation. The three objects of cultural patrimony are baskets and a basket fragment. The University is unaware of any specific treatment of the individual objects of cultural patrimony with pesticides, preservatives, or other substances that represent a potential hazard to the objects or to persons handling the objects. However, records located in the Department of Anthropology Museum indicate that approximately 1/3 of the Merriam collection had been treated with Berlou, a dry mothproofing substance used as an insecticide, in 1964. It is unknown which baskets were treated.

The objects of cultural patrimony include CHM 71, which Merriam purchased in San Francisco, but documented its source as the Hoopa Valley in Trinity County. Merriam identified CHM 72 and CHM 1268 from Trinity River at the junction of South Fork and specifically as Tsnungwe. The Blue Lake Rancheria is a Tribe that includes enrolled descendants from Athapaskan and Hupa tribal communities, a shared descendancy and identity with the Tsnungwe Tribe.

Determinations

UC Davis has determined that:

- The three objects of cultural patrimony described in this notice have ongoing historical, traditional, or cultural importance central to the Native American group, including any constituent sub-group (such as a band, clan, lineage, ceremonial society, or other subdivision), according to the Native American traditional knowledge of an Indian Tribe or Native Hawaiian organization.

- There is a reasonable connection between the cultural items described in this notice and the Blue Lake Rancheria, California.

Requests for Repatriation

Additional, written requests for repatriation of the cultural items in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural items in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the UC Davis must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural items are considered a single request and not competing requests. The UC Davis is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026–09407 Filed 5–11–26; 8:45 am]

BILLING CODE 4312–52–P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7133; NPS–WASO–NAGPRA–NPS0042750; PPWOCRADN0–PCU00RP14.R50000]

Notice of Intended Repatriation: J.B Speed Art Museum, Louisville, KY

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the J.B. Speed Art Museum intends to repatriate certain cultural items that meet the definition of sacred objects or objects of cultural patrimony and that have a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural items in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural items in this notice to Sirene Martin, J.B. Speed Art Museum, 2035 South Third Street, Louisville, KY 40208, email smartin@speedmuseum.org.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the J.B. Speed Art Museum, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of 24 cultural items have been requested for repatriation. The three sacred objects are one Sundance rattle, one beaded pipe bag, and one beaded turtle amulet. The 21 objects of cultural patrimony are eight beaded pouches, five beaded bags, five pairs of moccasins, one coupstick, one cradleboard, and one lance. This collection of cultural items largely came from a gift to the J.B. Speed Art Museum by Fredrick Weygold in the year 1930; some are museum purchases and items found in the collection. Through consultation it was decided not to have these belongings tested, and it is unknown if hazardous materials are present.

Determinations

The J.B. Speed Art Museum has determined that:

- The three sacred objects described in this notice are specific ceremonial objects needed by a traditional Native American religious leader for present-day adherents to practice traditional Native American religion, according to the Native American traditional knowledge of a lineal descendant, Indian Tribe, or Native Hawaiian organization.
- The 21 objects of cultural patrimony described in this notice have

ongoing historical, traditional, or cultural importance central to the Native American group, including any constituent sub-group (such as a band, clan, lineage, ceremonial society, or other subdivision), according to the Native American traditional knowledge of an Indian Tribe or Native Hawaiian organization.

- There is a connection between the cultural items described in this notice and the Cheyenne and Arapaho Tribes, Oklahoma.

Requests for Repatriation

Additional, written requests for repatriation of the cultural items in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural items in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the J.B. Speed Art Museum must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural items are considered a single request and not competing requests. The J.B. Speed Art Museum is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09402 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

DEPARTMENT OF THE INTERIOR

National Park Service

[N7130; NPS-WASO-NAGPRA-NPS0042747; PPWOCRADNO-PCU00RP14.R50000]

Notice of Intended Repatriation: Los Angeles County Museum of Natural History, Los Angeles, CA

AGENCY: National Park Service, Interior.

ACTION: Notice.

SUMMARY: In accordance with the Native American Graves Protection and Repatriation Act (NAGPRA), the Los Angeles County Museum of Natural History (LACMNH), intends to repatriate certain cultural items that meet the definition of objects of cultural patrimony and that have a cultural affiliation with the Indian Tribes or Native Hawaiian organizations in this notice.

DATES: Repatriation of the cultural items in this notice may occur on or after June 11, 2026.

ADDRESSES: Send additional, written requests for repatriation of the cultural items in this notice to Amy E. Gusick, NAGPRA Officer, Los Angeles County Museum of Natural History, 900 Exposition Boulevard, Los Angeles, CA 90007, email agusick@nhm.org.

SUPPLEMENTARY INFORMATION: This notice is published as part of the National Park Service's administrative responsibilities under NAGPRA. The determinations in this notice are the sole responsibility of the LACMNH, and additional information on the determinations in this notice, including the results of consultation, can be found in the summary or related records. The National Park Service is not responsible for the determinations in this notice.

Abstract of Information Available

A total of 11 cultural items have been requested for repatriation. The 11 objects of cultural patrimony include lots of lithics, groundstone, glass beads, pottery sherds, lead, two arrow shaft straighteners, and one "pillow" that were removed from various locations in Kern County, CA. One arrow shaft straightener was removed from Tehachapi Pass by Howard Robertson and donated to LACMNH by George Reed in 1919. Another arrow shaft straightener was removed from the Tehachapi Mountains at an unspecified time and donated to LACMNH by F.A. Wolfskill in 1926. One lot of lithic material was collected from Maricopa Brea in 1967 by Harley James Garbani during a Museum Foundation field trip and donated to LACMNH by E. Hadley Stuart Jr. in 1969. Two lots of lithic material, one from Saline Valley and one from Walker's Pass, were collected by Carl D. Hegner sometime in the 1920s. Additional material collected from Walker's Pass by Hegner include one lot of glass beads, one lot of pottery sherds, one lot of lead, and one "pillow," described as a small printed cloth bag thought to have been filled with feathers. The material was donated to LACMNH by the Native Daughters of the Golden West, Tijera Parlor Chapter,

in 1971. One lot of lithic material, thought to have been collected during a family camping trip in an area between Los Angeles and Sequoia National Park, was donated to LACMNH by Lily Yuri Tsurumaki in 2022. One lot of groundstone and modified stone fragments was likely collected from Horse Canyon, Grapevine Cave, Jawbone Canyon and Sand Canyon. The date of collection or collector is unknown.

Determinations

The LACMNH has determined that:

- The 11 objects of cultural patrimony described in this notice has ongoing historical, traditional, or cultural importance central to the Native American group, including any constituent sub-group (such as a band, clan, lineage, ceremonial society, or other subdivision), according to the Native American traditional knowledge of an Indian Tribe or Native Hawaiian organization.

- There is a connection between the cultural items described in this notice and the Tejon Indian Tribe.

Requests for Repatriation

Additional, written requests for repatriation of the cultural items in this notice must be sent to the authorized representative identified in this notice under **ADDRESSES**. Requests for repatriation may be submitted by any lineal descendant, Indian Tribe, or Native Hawaiian organization not identified in this notice who shows, by a preponderance of the evidence, that the requestor is a lineal descendant or a culturally affiliated Indian Tribe or Native Hawaiian organization.

Repatriation of the cultural items in this notice to a requestor may occur on or after June 11, 2026. If competing requests for repatriation are received, the LACMNH must determine the most appropriate requestor prior to repatriation. Requests for joint repatriation of the cultural items are considered a single request and not competing requests. The LACMNH is responsible for sending a copy of this notice to the Indian Tribes and Native Hawaiian organizations identified in this notice and to any other consulting parties.

Authority: Native American Graves Protection and Repatriation Act, 25 U.S.C. 3004 and the implementing regulations, 43 CFR 10.9.

Dated: May 5, 2026.

Melanie O'Brien,

Manager, National NAGPRA Program.

[FR Doc. 2026-09399 Filed 5-11-26; 8:45 am]

BILLING CODE 4312-52-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 337-TA-1452]

Certain Ink Cartridges and Components Thereof II; Notice of a Commission Determination To Review in Part an Initial Determination Granting Complainants' Motion for Summary Determination of Violation; Request for Written Submissions on the Issues Under Review and on Remedy, the Public Interest, and Bonding

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission has determined to review in part an initial determination ("ID") (Order No. 16) issued by the presiding administrative law judge ("ALJ") granting Complainants' motion for summary determination of violation, and to request written submissions from the parties on the issues under review and from the parties, interested government agencies, and interested persons, on remedy, the public interest, and bonding, under the schedule set forth below.

FOR FURTHER INFORMATION CONTACT:

Namo Kim, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436, telephone (202) 205-3459. Copies of non-confidential documents filed in connection with this investigation may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>. For help accessing EDIS, please email EDIS3Help@usitc.gov. General information concerning the Commission may also be obtained by accessing its internet server at <https://www.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

SUPPLEMENTARY INFORMATION: On June 17, 2025, the Commission instituted this investigation under section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337 ("section 337"), based on a complaint filed by Epson America, Inc. of Los Alamitos, California; Epson Portland, Inc. of Hillsboro, Oregon; and Seiko Epson Corporation of Nagano, Japan (collectively "Epson"). 90 FR 25644-45 (June 17, 2025). The complaint, as supplemented, alleged violations of section 337 based upon the importation into the United States, the

sale for importation, and the sale within the United States after importation of certain ink cartridges and components thereof by reason of the infringement of certain claims of U.S. Patent Nos. 8,764,172 ("the '172 patent"); 9,370,934 ("the '934 patent"); 11,535,038 ("the '038 patent"); 12,240,248 ("the '248 patent"); and 12,240,249 ("the '249 patent"). *Id.* The complaint, as supplemented, further alleged that a domestic industry ("DI") exists in the United States. *Id.*

The Commission's notice of investigation named the following entities as respondents: Shenzhen Hongxinyuan E-Commerce Co., Ltd. d/b/a Jianjai ("Shenzhen Hongxinyuan") of Shenzhen, China; Shangrao Shixuan E-Commerce Co., Ltd. d/b/a Inkgo ("Shangrao Shixuan") of Shangrao, China; Shen Zhen Sailing Technology Limited d/b/a Triple-Color ("Shen Zhen Sailing") of Shenzhen, China; Qiong Wang d/b/a 7-Magic ("Qiong Wang") of Leizhou City, China; Dongguan Ocbestjet Digital Technology Co., Ltd. d/b/a Ocbestjet ("Ocbestjet Dongguan") of Dongguan City, China; Ocbestjet Printer Consumables (HK) Co., Ltd. d/b/a Ocbestjet ("Ocbestjet HK") of Hong Kong, China; Shenzhen Kaizhen Technology Co., Ltd. d/b/a PayForLess ("Kaizhen") of Shenzhen, China; ZhuHai MeiJiAn Trading Co., Ltd. d/b/a HaloFox ("ZhuHai MeiJiAn") of Zhuhai, China; Zhuhai Shuofeng E-commerce Co., Ltd. d/b/a super-ink-club ("Shuofeng") of Zhuhai, China; Tatrix International China Co., Ltd. ("Tatrix") of Guangdong, China; Luozhi Trading Co., Ltd. ("Luozhi") of Guanzhou, China; Zhuhai Zhenyang Electronics Co., Ltd. ("Zhenyang") of Zhuhai, China; Zhuhai Hengyunda Electronics Co., Ltd. ("Hengyunda") of Zhuhai, China; Zhuhai Rongtaida Electronics Co., Ltd. ("Rongtaida") of Zhuhai, China; Zhuhai Shi Wei Tai Electronics Co., Ltd. ("Shi Wei Tai") of Zhuhai, China; Zhuhai Yixing Electronics Co., Ltd. ("Yixing") of Zhuhai, China; Zhuhai Bowang Technology Co., Ltd. ("Bowang") of Zhuhai, China; Mei Jin Technology HK Co., Ltd. ("Mei Jin") of Hong Kong, China; Mountain Peak, Inc. ("Mountain Peak") of Industry, CA; and Straightouttink, LP ("Straightouttink") of San Jose, CA. The Office of Unfair Import Investigations ("OUII") was also named as a party in this investigation. *Id.*

The Commission previously found respondents Tatrix, Luozhi, Zhenyang, Hengyunda, Rongtaida, Shi Wei Tai, Yixing, Bowang, Mei Jin, Mountain Peak, and Straightouttink in default. *See* Order No. 8 (Sept. 15, 2025),

unreviewed by Comm'n Notice (Nov. 17, 2025). The Commission also previously found respondents Ocbestjet Dongguan, Ocbestjet HK, Kaizhen, ZhuHai MeiJiAn, and Shuofeng in default. *See* Order No. 10 (Dec. 3, 2025), *unreviewed* by Comm'n Notice (Dec. 22, 2025).

On January 8, 2026, the Commission terminated the following respondents from the investigation: Shenzhen Hongxinyuan, Shangrao Shixuan, Shen Zhen Sailing, and Qiong Wang. *See* Order No. 11 (Dec. 11, 2025), *unreviewed* by Comm'n Notice (Jan. 8, 2026).

On January 20, 2026, the Commission terminated the investigation as to claims 2, 3, 8, and 10 of the '172 patent; claims 8 and 10 of the '934 patent; claims 12, 17, 19–20, and 24 of the '038 patent; claims 13, 15, and 20–21 of the '248 patent; and claims 2, 8, 13–15, and 20–22 of the '249 patent. Order No. 12 (Dec. 18, 2025), *unreviewed* by Comm'n Notice (Jan. 20, 2026).

On February 26, 2026, Epson filed a motion for summary determination on violation of section 337 by all sixteen remaining respondents previously found in default in the investigation—Tatrix, Luozhi, Zhenyang, Hengyunda, Rongtaida, Shi Wei Tai, Yixing, Mei Jin, Bowang, Mountain Peak, Straightouttaink, Ocbestjet Dongguan, Ocbestjet HK, Kaizhen, ZhuHai MeiJiAn, and Zhuhai Shuofeng—and requested issuance of a GEO and CDOs against Mountain Peak and Straightouttaink, and a bonding of 100 percent.

On March 9, 2026, OUII filed a response generally supporting the motion, but indicated an evidentiary error pertaining to infringement.

On March 11, 2026, Epson filed corrected exhibits addressing the evidentiary error OUII identified. On March 13, 2026, OUII filed for leave to amend its response based on Epson's corrections on March 11, 2026. The ALJ granted OUII's motion for good cause shown.

On March 24, the ALJ issued the subject ID (Order No. 16) granting Epson's motion for summary determination of violation of section 337. The ID also includes a Recommended Determination recommending that the Commission issue a GEO for the asserted claims, issue CDOs against respondents Mountain Peak and Straightouttaink, and set a bond of 100 percent of the entered value of the infringing articles imported during the period of Presidential review.

No petitions for review of the subject ID were filed.

Having reviewed the record of the investigation, the Commission has determined to review the subject ID in part with respect to the economic prong of the DI requirement. The Commission has determined not to review the remainder of the ID.

In connection with its review, the Commission requests that the parties brief their positions on the following questions with citations to the existing evidentiary record:

1. Please explain whether Epson has submitted into evidence any foreign manufacturing or labor investments related to its ink cartridge business and whether Epson provided any DI economic prong analysis that considers such foreign investments.

2. Please explain the nature of the "Insurance" expenses presented in the summary of Epson's DI investments, and the basis for including such expenses in the DI economic prong analysis under section 337(a)(3)(A).

3. Where are each of the domestic industry products manufactured? What activities related to the domestic industry products take place outside the United States (please identify which activities correspond to which domestic industry product)?

4. Does the record permit an assessment of the significance of Epson's domestic industry investments/expenses that takes into account all non-U.S. activities, including manufacturing, related to the domestic industry products? Examples of such an assessment include a comparison of domestic with foreign investments; a value-added analysis; or a comparison of domestic investments to non-U.S. cost of goods sold for the domestic industry products.

5. Please address the ID's findings at pages 49–51 and whether the ID properly analyzes the significance of the asserted DI investments. In doing so, please explain the comparison of DI investments in plant and equipment and labor to "total COGS and G&A" referred to on pages 98–99 of Epson's motion for summary determination, including what comprises "total COGS and G&A." Do you agree with the ID at pages 49–50 that this comparison is a value-add analysis and that line items "Materials" and "Other" referred to on page 49 of the ID are properly treated as foreign expenses as suggested by the ID?

6. Please provide a holistic analysis of the facts of record pursuant to *Wuhan Healthgen Biotechnology Corp. v. ITC*, 127 F.4th 1334 (Fed. Cir. 2025) regarding (1) whether Epson's investments in plant and equipment with respect to the domestic industry articles protected by each asserted

patent are significant under subsection 337(a)(3)(A); and (2) whether Epson's employment of labor or capital with respect to the domestic industry articles protected by each asserted patent is significant under subsection 337(a)(3)(B). Please include in your discussion, all relevant indicia of significance consistent with judicial and Commission precedents regarding the domestic industry requirement of section 337(a)(3)(A) and (B).

The parties are invited to brief only the discrete issues requested above. The parties are not to brief other issues on review, which are adequately presented in the parties' existing filings.

In connection with the final disposition of this investigation, the statute authorizes issuance of, *inter alia*, (1) an exclusion order that could result in the exclusion of the subject articles from entry into the United States; and/or (2) cease and desist orders that could result in the respondents being required to cease and desist from engaging in unfair acts in the importation and sale of such articles. Accordingly, the Commission is interested in receiving written submissions that address the form of remedy, if any, that should be ordered. If a party seeks exclusion of an article from entry into the United States for purposes other than entry for consumption, the party should so indicate and provide information establishing that activities involving other types of entry either are adversely affecting it or likely to do so. For background, see *Certain Devices for Connecting Computers via Telephone Lines*, Inv. No. 337–TA–360, USITC Pub. No. 2843, Comm'n Op. at 7–10 (Dec. 1994).

The statute requires the Commission to consider the effects of that remedy upon the public interest. The public interest factors the Commission will consider include the effect that an exclusion order and cease and desist orders would have on: (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) U.S. production of articles that are like or directly competitive with those that are subject to investigation, and (4) U.S. consumers. The Commission is therefore interested in receiving written submissions that address the aforementioned public interest factors in the context of this investigation.

If the Commission orders some form of remedy, the U.S. Trade Representative, as delegated by the President, has 60 days to approve, disapprove, or take no action on the Commission's determination. *See* Presidential Memorandum of July 21, 2005, 70 FR 43251 (July 26, 2005).

During this period, the subject articles would be entitled to enter the United States under bond, in an amount determined by the Commission and prescribed by the Secretary of the Treasury. The Commission is therefore interested in receiving submissions concerning the amount of the bond that should be imposed if a remedy is ordered.

Written Submissions: The parties to the investigation are requested to file written submissions on the issues identified in this notice. Parties to the investigation, interested government agencies, and any other interested parties are encouraged to file written submissions on the issues of remedy, the public interest, and bonding. In the initial submission, Complainants are also requested to identify the remedy sought and submit proposed remedial orders for the Commission's consideration. Complainants are further requested to state the date that the asserted patents expire, to provide the HTSUS subheadings under which the accused products are imported, and to supply the identification information for all known importers of the products at issue in this investigation. The initial written submissions and proposed remedial orders must be filed no later than close of business on May 22, 2026. Reply submissions must be filed no later than the close of business on May 29, 2026. Opening submissions from the parties are limited to 50 pages. Reply submissions from the parties are limited to 25 pages. All submissions from third parties and/or interested government agencies are limited to 10 pages. No further submissions on any of these issues will be permitted unless otherwise ordered by the Commission.

Persons filing written submissions must file the original document electronically on or before the deadlines stated above pursuant to 19 CFR 210.4(f). Submissions should refer to the investigation number ("Inv. No. 337-TA-1452") in a prominent place on the cover page and/or the first page. (See Handbook for Electronic Filing Procedures, https://www.usitc.gov/documents/handbook_on_filing_procedures.pdf). Persons with questions regarding filing should contact the Secretary, (202) 205-2000.

Any person desiring to submit a document to the Commission in confidence must request confidential treatment by marking each document with a header indicating that the document contains confidential information. This marking will be deemed to satisfy the request procedure set forth in Rules 201.6(b) and 210.5(e)(2) (19 CFR 201.6(b) &

210.5(e)(2)). Documents for which confidential treatment by the Commission is properly sought will be treated accordingly. Any non-party wishing to submit comments containing confidential information must serve those comments on the parties to the investigation pursuant to the applicable Administrative Protective Order. A redacted non-confidential version of the document must also be filed with the Commission and served on any parties to the investigation within two business days of any confidential filing. All information, including confidential business information and documents for which confidential treatment is properly sought, submitted to the Commission for purposes of this investigation may be disclosed to and used: (i) by the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel, solely for cybersecurity purposes. All contract personnel will sign appropriate nondisclosure agreements. All nonconfidential written submissions will be available for public inspection on EDIS.

The Commission vote for this determination took place on May 8, 2026.

The authority for the Commission's determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), and in Part 210 of the Commission's Rules of Practice and Procedure (19 CFR part 210).

By order of the Commission.

Issued: May 8, 2026.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2026-09439 Filed 5-11-26; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701-TA-797 and 731-TA-1793 (Preliminary)]

N-Cyclohexylbenzothiazole-2-sulfenamide From China; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations

AGENCY: United States International Trade Commission.

ACTION: Notice.

SUMMARY: The Commission hereby gives notice of the institution of investigations and commencement of preliminary phase antidumping and countervailing duty investigation Nos. 701-TA-797 and 731-TA-1793 (Preliminary) pursuant to the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of N-Cyclohexylbenzothiazole-2-sulfenamide ("CBS") from China, provided for in subheadings 2934.20.80, 3812.10.10, and 3812.10.50 of the Harmonized Tariff Schedule of the United States that are alleged to be sold in the United States at less than fair value and alleged to be subsidized by the Government of China. Unless the Department of Commerce ("Commerce") extends the time for initiation, the Commission must reach a preliminary determination in antidumping and countervailing duty investigations in 45 days, or in this case by June 22, 2026. The Commission's views must be transmitted to Commerce within five business days thereafter, or by June 29, 2026.

DATES: May 7, 2026.

FOR FURTHER INFORMATION CONTACT:

Amelia Graytock (202) 205-2047, Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<https://www.usitc.gov>). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>.

SUPPLEMENTARY INFORMATION:

Background.—These investigations are being instituted, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. 1671b(a) and 1673b(a)), in response to petitions filed on May 7, 2026, by LANXESS Corporation, Pittsburgh, Pennsylvania.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A and B (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

Participation in the investigations and public service list.—Persons wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in §§ 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register**. Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping duty and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.—Pursuant to § 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in these investigations available to authorized applicants representing interested parties (as defined in 19 U.S.C. 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register**. A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference.—The Office of Investigations will hold a staff conference in connection with the preliminary phase of these investigations beginning at 9:30 a.m. on May 28, 2026. Requests to appear at the conference should be emailed to preliminaryconferences@usitc.gov (DO NOT FILE ON EDIS) on or before noon on May 26, 2026. Please provide an email address for each conference participant in the email. Information on conference procedures, format, and participation, including guidance for requests to appear as a witness via videoconference, will be available on the Commission's Public Calendar (Calendar (USITC) | United States International Trade Commission). A nonparty who has testimony that may aid the Commission's deliberations may request permission to participate by submitting a short statement.

Please note the Secretary's Office will accept only electronic filings during this time. Filings must be made through the Commission's Electronic Document Information System (EDIS, <https://edis.usitc.gov>). No in-person paper-

based filings or paper copies of any electronic filings will be accepted until further notice.

Written submissions.—As provided in §§ 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before 5:15 p.m. on June 2, 2026, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties shall file written testimony and supplementary material in connection with their presentation at the conference no later than 4:00 p.m. on May 27, 2026. All written submissions must conform with the provisions of § 201.8 of the Commission's rules; any submissions that contain BPI must also conform with the requirements of §§ 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's *Handbook on Filing Procedures*, available on the Commission's website at https://www.usitc.gov/documents/handbook_on_filing_procedures.pdf, elaborates upon the Commission's procedures with respect to filings.

In accordance with §§ 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Certification.—Pursuant to § 207.3 of the Commission's rules, any person submitting information to the Commission in connection with these investigations must certify that the information is accurate and complete to the best of the submitter's knowledge. In making the certification, the submitter will acknowledge that any information that it submits to the Commission during these investigations may be disclosed to and used: (i) by the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of these or related investigations or reviews, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government employees and contract personnel, solely for cybersecurity purposes. All contract personnel will sign appropriate nondisclosure agreements.

Authority. These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to § 207.12 of the Commission's rules.

By order of the Commission.

Issued: May 7, 2026.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2026–09337 Filed 5–11–26; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 337–TA–1414]

Certain Semiconductor Devices and Products Containing the Same; Notice of the Commission's Final Determination Finding a Violation of Section 337; Issuance of a Limited Exclusion Order and Cease and Desist Orders; Termination of the Investigation

AGENCY: U.S. International Trade Commission.

ACTION: Notice.

SUMMARY: Notice is hereby given that the U.S. International Trade Commission ("Commission") has found a violation of section 337 in the above-captioned investigation. The Commission has determined to issue: (1) a limited exclusion order ("LEO") prohibiting the unlicensed entry of infringing semiconductor devices and products containing the same that are manufactured by or on behalf of, or imported by or on behalf of, the respondents; and (2) cease and desist orders ("CDOs") against the respondents. The investigation is terminated.

FOR FURTHER INFORMATION CONTACT:

Joelle Justus, Esq., Office of the General Counsel, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436, telephone (202) 205–2593. Copies of non-confidential documents filed in connection with this investigation may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>. For help accessing EDIS, please email EDIS3Help@usitc.gov. General information concerning the Commission may also be obtained by accessing its internet server at <https://www.usitc.gov>. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205–1810.

SUPPLEMENTARY INFORMATION: The Commission instituted this investigation on August 30, 2024, based on a complaint filed by Infineon Technologies Americas Corp. of El Segundo, California, and Infineon Technologies Austria AG of Villach,

Austria (collectively, “Complainants” or “Infineon”). 89 FR 70667–68 (Aug. 30, 2024). The complaint, as supplemented, alleges violations of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337, in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain semiconductor devices and products containing the same by reason of infringement of claims 1–4, 6, 9, and 17 of U.S. Patent No. 9,899,481 (“the ‘481 patent”); claims 1, 2, 8–10, and 13–15 of U.S. Patent No. 8,686,562 (“the ‘562 patent”); claims 1–4, 8, and 9 of U.S. Patent No. 9,070,755 (“the ‘755 patent”); and claims 1, 2, and 10 of U.S. Patent No. 8,264,003 (“the ‘003 patent”). *Id.* at 70667. The complaint further alleges that a domestic industry exists. *Id.* The Commission’s notice of investigation named as respondents Innoscience (Suzhou) Technology Company, Ltd. of Lili Town, China; Innoscience (Suzhou) Semiconductor Co., Ltd. of Lili Town, China; Innoscience (Zhuhai) Technology Company, Ltd. of Zhuhai, China; and Innoscience America, Inc. of Santa Clara, California (collectively, “Respondents” or “Innoscience”). *Id.* The Office of Unfair Import Investigations is not participating in the investigation. *Id.*

On November 4, 2024, the Commission determined not to review an initial determination granting Complainants’ unopposed motion to amend the complaint and notice of investigation to correct the corporate title of Respondent Innoscience (Suzhou) Technology Co., Ltd. to Innoscience (Suzhou) Technology Holding Co., Ltd. *See* Order No. 7 (Oct. 10, 2024), *unreviewed by* Comm’n Notice (Nov. 4, 2024). On April 29, 2025, the Commission determined not to review an initial determination granting Complainants’ unopposed motion to terminate the investigation as to all asserted claims of the ‘003 patent and claim 9 of the ‘481 patent. *See* Order No. 27 (Apr. 3, 2025), *unreviewed by* Comm’n Notice (Apr. 29, 2025). And on May 20, 2025, the Commission determined not to review an initial determination granting Complainants’ unopposed motion to terminate the investigation as to all asserted claims of the ‘562 patent. *See* Order No. 46 (Apr. 30, 2025), *unreviewed by* Comm’n Notice (May 20, 2025).

On December 2, 2025, the ALJ issued the final initial determination (“FID”) finding a violation of section 337 by Innoscience with respect to the ‘481 patent, and no violation with respect to the ‘755 patent. The FID found, *inter alia*, that (1) Infineon proved

infringement and satisfaction of the technical prong of the domestic industry requirement (“technical prong”) for claims 1–4, 6, and 17 of the ‘481 patent, and that Innoscience did not show any of those claims invalid; (2) Infineon failed to show infringement or satisfy the technical prong for claims 1–4, 8, and 9 of the ‘755 patent, and Innoscience did not show any of the asserted claims of the ‘755 patent invalid. The FID also finds that Infineon satisfied the economic prong of the domestic industry requirement for the ‘481 patent.

The ALJ also issued a recommended determination (“RD”) on remedy and bonding. The RD recommended that, if the Commission were to find a violation, it should issue a limited exclusion order as well as and cease and desist orders against the Respondents based on their significant U.S. inventory and significant U.S. operations. The RD further recommended that the Commission impose a bond of one hundred (100%) percent.

On December 15, 2025, Innoscience filed a petition for review of the FID’s finding of violation as to the ‘481 patent. That same day, Infineon filed a petition for review of the FID’s finding of no violation as to the ‘755 patent. The parties filed responses to the petitions on December 23, 2025.

On January 2, 2026, Respondents submitted public interest comments pursuant to Commission Rule 210.50(a)(4) (19 CFR 210.50(a)(4)). No submissions were filed by third parties in response to the Commission’s **Federal Register** notice seeking submissions on the public interest. *See* 90 FR 56798–99 (Dec. 8, 2025).

On February 2, 2026, the Commission determined to review the FID’s findings regarding the ‘481 patent relating to the construction of the term “lateral transistor device,” infringement, validity, technical prong, and economic prong. 91 FR 5259–61 (Feb. 5, 2026). The Commission determined not to review the FID’s findings regarding the ‘755 patent. *See id.* at 5260. The Commission requested briefing from the parties on certain issues under review and potential remedial orders, and from the parties, interested government agencies, and other interested persons on the issues of remedy, the public interest, and bonding. *Id.* at 5260–61.

On February 17, 2026, the parties filed their respective written submissions on the issues under review and remedy, public interest, and bonding. On February 24, 2026, the parties filed their reply submissions. The Commission did not receive any

submissions from third-parties regarding the public interest.

Having examined the record in this investigation, including the FID, the parties’ submissions to the ALJ, the petitions for review and responses thereto, and the parties’ submissions to the Commission and responses thereto, the Commission has determined to find a violation of section 337. As set forth in the simultaneously-issued Commission opinion, the Commission has determined to adopt a modified construction of the term “lateral transistor device” and affirm with modified reasoning the FID’s infringement analysis. The Commission affirms in part with modified reasoning, takes no position in part, and reverses in part the FID’s invalidity analysis, and finds that Innoscience has proven claims 1–3 and 6 of the ‘481 patent invalid as obvious. The Commission also affirms in part and reverses in part the FID’s finding that Infineon satisfied the technical prong of the domestic industry requirement. Finally, the Commission affirms with supplemental reasoning that Infineon satisfied the economic prong of the domestic industry requirement. Therefore, the Commission finds a violation of section 337 as to claims 4 and 17 of the ‘481 patent.

The Commission has determined that the appropriate form of relief is an LEO prohibiting the unlicensed entry of infringing semiconductor devices and products containing the same manufactured by or on behalf of Respondents or any of their affiliated companies, parents, subsidiaries, or other related business entities, or their successors or assigns. The Commission has also determined to issue CDOs to each Respondent.

The Commission has further determined that the public interest factors enumerated in subsections (d)(I) and (f)(1) (19 U.S.C. 1337(d)(I), (f)(1)) do not preclude issuance of the above-referenced remedial orders. Additionally, the Commission has determined to impose a bond in the amount of one hundred percent (100%) as to the infringing products imported during the period of Presidential review (19 U.S.C. 1337(j)). The investigation is terminated.

The Commission vote for this determination took place on May 7, 2026.

The authority for the Commission’s determination is contained in section 337 of the Tariff Act of 1930, as amended (19 U.S.C. 1337), and in Part 210 of the Commission’s Rules of Practice and Procedure (19 CFR part 210).

By order of the Commission.

Issued: May 7, 2026.

Lisa Barton,

Secretary to the Commission.

[FR Doc. 2026–09338 Filed 5–11–26; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF LABOR

Agency Information Collection Activities; Submission for OMB Review; Comment Request; Employment Transition Model

ACTION: Notice of availability; request for comments.

SUMMARY: The Department of Labor (DOL) is submitting this Chief Evaluation Office (CEO)-sponsored information collection request (ICR) to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995 (PRA). Public comments on the ICR are invited.

DATES: The OMB will consider all written comments that the agency receives on or before June 11, 2026.

ADDRESSES: Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting “Currently under 30-day Review—Open for Public Comments” or by using the search function.

Comments are invited on: (1) whether the collection of information is necessary for the proper performance of the functions of the Department, including whether the information will have practical utility; (2) the accuracy of the agency’s estimates of the burden and cost of the collection of information, including the validity of the methodology and assumptions used; (3) ways to enhance the quality, utility and clarity of the information collection; and (4) ways to minimize the burden of the collection of information on those who are to respond, including the use of automated collection techniques or other forms of information technology.

FOR FURTHER INFORMATION CONTACT: Nicole Bouchet by telephone at 202–693–0213, or by email at DOL_PRA_PUBLIC@dol.gov.

SUPPLEMENTARY INFORMATION: DOL is funding a total of \$67 million in grants to the Kansas Department of Commerce and to state workforce agencies in Connecticut, Minnesota, and New York. The purpose of the grant is to help youth and young adults with disabilities

(Y&YAD), ages 14 to 24, who are eligible for Workforce Innovation and Opportunity Act (WIOA) Title I services, successfully transition into the workforce. Y&YAD often face significant challenges during their transition to employment, and the grant is designed to address those barriers. The ETM Demonstration gave five-year grants to these states to: (1) identify, develop, and scale evidence-based strategies that improve work-related outcomes among Y&YAD; and (2) increase states’ capacity to create innovative employment strategies for them and their families. DOL needs data on program implementation and Y&YAD outcomes to monitor grant performance and measure the effectiveness of innovative practices. These data are necessary for ensuring that grantees are held accountable for achieving their programs’ goals and objectives as stated in their grant application, including the number of Y&YAD served over time, the types of services provided, and the economic self-sufficiency outcomes of participating Y&YAD. The evaluation will analyze the four grantees’ programs to build evidence on effective strategies that enable Y&YAD in successfully transitioning into the workforce and to inform future practice and policy at DOL. For additional substantive information about this ICR, see the related notice published in the **Federal Register** on September 19, 2025 (90 FR 45257).

This information collection is subject to the PRA. A Federal agency generally cannot conduct or sponsor a collection of information, and the public is generally not required to respond to an information collection, unless the OMB approves it and displays a currently valid OMB Control Number. In addition, notwithstanding any other provisions of law, no person shall generally be subject to penalty for failing to comply with a collection of information that does not display a valid OMB Control Number. See 5 CFR 1320.5(a) and 1320.6.

DOL seeks PRA authorization for this information collection for three (3) years. OMB authorization for an ICR cannot be for more than three (3) years without renewal. The DOL notes that information collection requirements submitted to the OMB for existing ICRs receive a month-to-month extension while they undergo review.

Agency: DOL–CEO.

Title of Collection: Employment Transition Model.

OMB Control Number: 1290–0NEW.

Affected Public: Individuals or Households.

Total Estimated Number of Respondents: 3,054.

Total Estimated Number of Responses: 11,208.

Total Estimated Annual Time Burden: 1,558 hours.

Total Estimated Annual Other Costs Burden: \$15,000.

(Authority: 44 U.S.C. 3507(a)(1)(D))

Nicole Bouchet,

Senior Paperwork Reduction Act Analyst.

[FR Doc. 2026–09373 Filed 5–11–26; 8:45 am]

BILLING CODE 4510–HX–P

NUCLEAR REGULATORY COMMISSION

[NRC–2025–0808]

Regulatory Issue Summary: Combined License Review Performance and Reporting

AGENCY: Nuclear Regulatory Commission.

ACTION: Final guide; issuance.

SUMMARY: The U.S. Nuclear Regulatory Commission (NRC) is issuing Regulatory Issue Summary (RIS) 2026–04, “Regulatory Issue Summary: Combined License Review Performance and Reporting.” This RIS discusses the performance and reporting requirements for a combined license application review in accordance with the requirements in section 207 of the Accelerating Deployment of Versatile, Advanced Nuclear for Clean Energy Act of 2024 (ADVANCE Act).

DATES: The RIS is available as of May 12, 2026.

ADDRESSES: Please refer to Docket ID NRC–2025–0808 when contacting the NRC about the availability of information on this document. You may obtain publicly available information related to this document from any of the following sources:

- *Federal Rulemaking Website:* Go to <https://www.regulations.gov> and search for Docket ID NRC–2025–0808. Address questions about Docket IDs in [Regulations.gov](https://www.regulations.gov) to Bridget Curran; telephone: 301–415–1003; email: Bridget.Curran@nrc.gov. For technical questions, contact the individual(s) listed in the **FOR FURTHER INFORMATION CONTACT** section of this document.

- *NRC’s Agencywide Documents Access and Management System (ADAMS):* You may obtain publicly available documents online in the ADAMS Public Documents collection at <https://www.nrc.gov/reading-rm/adams.html>. To begin the search, select “Begin ADAMS Public Search.” For problems with ADAMS, please contact the NRC’s Public Document Room (PDR)

reference staff at 1-800-397-4209, at 301-415-4737, or by email to PDR.Resource@nrc.gov. The comment submission, the resolution of public comments, and the final RIS are available in ADAMS under Accession Nos. ML25262A008, ML25272A240, and ML25272A238.

- *NRC's PDR*: The PDR, where you may examine and order copies of publicly available documents, is open by appointment. To make an appointment to visit the PDR, please send an email to PDR.Resource@nrc.gov or call 1-800-397-4209 or 301-415-4737, between 8 a.m. and 4 p.m. eastern time (ET), Monday through Friday, except Federal holidays.

- *NRC's Public Website*: This RIS is also available on the NRC's public website at <https://www.nrc.gov/reading-rm/doc-collections/gen-comm/reg-issues> (select "2026," scroll to Document Number RIS-26-04, and select Publish Date 04/27/2026).

FOR FURTHER INFORMATION CONTACT: Carolyn Lauron, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001; telephone: 301-415-2736; email: Carolyn.Lauron@nrc.gov.

SUPPLEMENTARY INFORMATION: The NRC published a notice of opportunity for public comment on this RIS in the *Federal Register* on September 3, 2025 (90 FR 42622). The agency received comments from one commenter. The evaluation of these comments did not result in changes to the RIS as discussed in a publicly available document in ADAMS under Accession No. ML25272A240.

RIS 2026-04, "Combined License Review Performance and Reporting," is available in ADAMS under Accession No. ML25272A238.

Executive Order 12866: The Office of Information and Regulatory Affairs determined that this RIS is not a significant regulatory action under E.O. 12866.

Authority: 42 U.S.C. 2011 *et seq.*

Dated: May 7, 2026.

For the Nuclear Regulatory Commission.

Ravi Penmetsa,

Acting Director, Division of New and Renewed Licenses, Office of Nuclear Reactor Regulation.

[FR Doc. 2026-09328 Filed 5-11-26; 8:45 am]

BILLING CODE 7590-01-P

NUCLEAR REGULATORY COMMISSION

[NRC-2026-2146]

Monthly Notice; Applications and Amendments to Facility Operating Licenses and Combined Licenses Involving No Significant Hazards Considerations

AGENCY: Nuclear Regulatory Commission.

ACTION: Monthly notice.

SUMMARY: Pursuant to section 189a.(2) of the Atomic Energy Act of 1954, as amended (the Act), the U.S. Nuclear Regulatory Commission (NRC) is publishing this regular monthly notice. The Act requires the Commission to publish notice of any amendments issued, or proposed to be issued, and grants the Commission the authority to issue and make immediately effective any amendment to an operating license or combined license, as applicable, upon a determination by the Commission that such amendment involves no significant hazards consideration (NSHC), notwithstanding the pendency before the Commission of a request for a hearing from any person. **DATES:** Comments must be filed by June 11, 2026. A request for a hearing or petitions for leave to intervene must be filed by July 13, 2026. This monthly notice includes all amendments issued, or proposed to be issued, from March 27, 2026, to April 23, 2026. The last monthly notice was published on April 14, 2026.

ADDRESSES: You may submit comments by any of the following methods; however, the NRC encourages electronic comment submission through the Federal rulemaking website.

- *Federal rulemaking website*: Go to <https://www.regulations.gov> and search for Docket ID NRC-2026-2146. Address questions about Docket IDs in *Regulations.gov* to Bridget Curran; telephone: 301-415-1003; email: Bridget.Curran@nrc.gov. For technical questions, contact the individual listed in the **FOR FURTHER INFORMATION CONTACT** section of this document.

- *Mail comments to*: Office of Administration, Mail Stop: TWFN-5-A85, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, ATTN: Program Management, Announcements and Editing Staff.

For additional direction on obtaining information and submitting comments, see "Obtaining Information and Submitting Comments" in the **SUPPLEMENTARY INFORMATION** section of this document.

FOR FURTHER INFORMATION CONTACT:

Paula Blechman, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001; telephone: 301-415-2242; email: Paula.Blechman@nrc.gov.

SUPPLEMENTARY INFORMATION:

I. Obtaining Information and Submitting Comments

A. Obtaining Information

Please refer to Docket ID NRC-2026-2146, facility name, unit number(s), docket number(s), application date, and subject when contacting the NRC about the availability of information for this action. You may obtain publicly available information related to this action by any of the following methods:

- *Federal Rulemaking Website*: Go to <https://www.regulations.gov> and search for Docket ID NRC-2026-2146.

- *NRC's Agencywide Documents Access and Management System (ADAMS)*: You may obtain publicly available documents online in the ADAMS Public Documents collection at <https://www.nrc.gov/reading-rm/adams.html>. To begin the search, select "Begin ADAMS Public Search." For problems with ADAMS, please contact the NRC's Public Document Room (PDR) reference staff at 1-800-397-4209, at 301-415-4737, or by email to PDR.Resource@nrc.gov. The ADAMS accession number for each document referenced (if it is available in ADAMS) is provided the first time that it is mentioned in this document.

- *NRC's PDR*: The PDR, where you may examine and order copies of publicly available documents, is open by appointment. To make an appointment to visit the PDR, please send an email to PDR.Resource@nrc.gov or call 1-800-397-4209 or 301-415-4737, between 8 a.m. and 4 p.m. eastern time (ET), Monday through Friday, except Federal holidays.

B. Submitting Comments

The NRC encourages electronic comment submission through the Federal rulemaking website (<https://www.regulations.gov>). Please include Docket ID NRC-2026-2146, facility name, unit number(s), docket number(s), application date, and subject, in your comment submission.

The NRC cautions you not to include identifying or contact information that you do not want to be publicly disclosed in your comment submission. The NRC will post all comment submissions at <https://www.regulations.gov> as well as enter the comment submissions into ADAMS. The NRC does not routinely edit

comment submissions to remove identifying or contact information.

If you are requesting or aggregating comments from other persons for submission to the NRC, then you should inform those persons not to include identifying or contact information that they do not want to be publicly disclosed in their comment submission. Your request should state that the NRC does not routinely edit comment submissions to remove such information before making the comment submissions available to the public or entering the comment into ADAMS.

II. Notice of Consideration of Issuance of Amendments to Facility Operating Licenses and Combined Licenses and Proposed No Significant Hazards Consideration Determination

For the facility-specific amendment requests shown in this notice, the Commission finds that the licensees' analyses provided, consistent with section 50.91 of title 10 of the *Code of Federal Regulations* (10 CFR), "Notice for public comment; State consultation," are sufficient to support the proposed determinations that these amendment requests involve NSHC. Under the Commission's regulations in 10 CFR 50.92, operation of the facilities in accordance with the proposed amendments would not (1) involve a significant increase in the probability or consequences of an accident previously evaluated; or (2) create the possibility of a new or different kind of accident from any accident previously evaluated; or (3) involve a significant reduction in a margin of safety.

The Commission is seeking public comments on these proposed determinations. Any comments received within 30 days after the date of publication of this notice will be considered in making any final determinations.

Normally, the Commission will not issue the amendments until the expiration of 60 days after the date of publication of this notice. The Commission may issue any of these license amendments before expiration of the 60-day period provided that its final determination is that the amendment involves NSHC. In addition, the Commission may issue any of these amendments prior to the expiration of the 30-day comment period if circumstances change during the 30-day comment period such that failure to act in a timely way would result, for example in derating or shutdown of the facility. If the Commission takes action on any of these amendments prior to the expiration of either the comment period or the notice period, it will publish in

the **Federal Register** a notice of issuance. If the Commission makes a final NSHC determination for any of these amendments, any hearing will take place after issuance. The Commission expects that the need to take action on any amendment before 60 days have elapsed will occur very infrequently.

A. Opportunity To Request a Hearing and Petition for Leave To Intervene

Within 60 days after the date of publication of this notice, any person (petitioner) whose interest may be affected by any of these actions may file a request for a hearing and petition for leave to intervene (petition) with respect to that action. Petitions shall be filed in accordance with the Commission's, "Agency Rules of Practice and Procedure," in 10 CFR part 2. Interested persons should consult 10 CFR 2.309. If a petition is filed, the Commission or a presiding officer will rule on the petition and, if appropriate, a notice of a hearing will be issued.

Petitions must be filed no later than 60 days from the date of publication of this notice in accordance with the filing instructions in the "Electronic Submissions (E-Filing)" section of this document. Petitions and motions for leave to file new or amended contentions that are filed after the deadline will not be entertained absent a determination by the presiding officer that the filing demonstrates good cause by satisfying the three factors in 10 CFR 2.309(c)(1)(i) through (iii).

If a hearing is requested, and the Commission has not made a final determination on the issue of no significant hazards consideration, the Commission will make a final determination on the issue of no significant hazards consideration, which will serve to establish when the hearing is held. If the final determination is that the license amendment request involves no significant hazards consideration, the Commission may issue the amendment and make it immediately effective, notwithstanding the request for a hearing. Any hearing would take place after issuance of the amendment. If the final determination is that the license amendment request involves a significant hazards consideration, then any hearing held would take place before the issuance of the amendment unless the Commission finds an imminent danger to the health or safety of the public, in which case it will issue an appropriate order or rule under 10 CFR part 2.

A State, local governmental body, Federally recognized Indian Tribe, or designated agency thereof, may submit

a petition to the Commission to participate as a party under 10 CFR 2.309(h) no later than 60 days from the date of publication of this notice. Alternatively, a State, local governmental body, Federally recognized Indian Tribe, or designated agency thereof, may participate as a non-party under 10 CFR 2.315(c).

For information about filing a petition and about participation by a person not a party under 10 CFR 2.315, see ADAMS Accession No. ML20340A053 (<https://adamswebsearch2.nrc.gov/webSearch2/main.jsp?AccessionNumber=ML20340A053>) and the NRC's public website (<https://www.nrc.gov/about-nrc/regulatory/adjudicatory/hearing.html#participate>).

B. Electronic Submissions (E-Filing)

All documents filed in NRC adjudicatory proceedings, including documents filed by an interested State, local governmental body, Federally recognized Indian Tribe, or designated agency thereof that requests to participate under 10 CFR 2.315(c), must be filed in accordance with 10 CFR 2.302. The E-Filing process requires participants to submit and serve all adjudicatory documents over the internet, or in some cases, to mail copies on electronic storage media, unless an exemption permitting an alternative filing method, as further discussed, is granted. Detailed guidance on electronic submissions is located in the "Guidance for Electronic Submissions to the NRC" (ADAMS Accession No. ML13031A056), and on the NRC's public website (<https://www.nrc.gov/site-help/e-submittals.html>).

To comply with the procedural requirements of E-Filing, at least 10 days prior to the filing deadline, the participant should contact the Office of the Secretary by email at Hearing.Docket@nrc.gov, or by telephone at 301-415-1677, to: (1) request a digital identification (ID) certificate which allows the participant (or their counsel or representative) to digitally sign submissions and access the E-Filing system for any proceeding in which it is participating; and (2) advise the Secretary that the participant will be submitting a petition or other adjudicatory document (even in instances in which the participant, or their counsel or representative, already holds an NRC-issued digital ID certificate). Based upon this information, the Secretary will establish an electronic docket for the proceeding if the Secretary has not already established an electronic docket.

Information about applying for a digital ID certificate is available on the

NRC's public website (<https://www.nrc.gov/site-help/e-submittals/getting-started.html>). After a digital ID certificate is obtained and a docket is created, the participant must submit adjudicatory documents in the Portable Document Format. Guidance on submissions is available on the NRC's public website (<https://www.nrc.gov/site-help/electronic-sub-ref-mat.html>). A filing is considered complete at the time the document is submitted through the NRC's E-Filing system. To be timely, an electronic filing must be submitted to the E-Filing system no later than 11:59 p.m. ET on the due date. Upon receipt of a transmission, the E-Filing system time-stamps the document and sends the submitter an email confirming receipt of the document. The E-Filing system also distributes an email that provides access to the document to the NRC's Office of the General Counsel and any others who have advised the Office of the Secretary that they wish to participate in the proceeding, so that the filer need not serve the document on those participants separately. Therefore, applicants and other participants (or their counsel or representative) must apply for and receive a digital ID certificate before adjudicatory documents are filed in order to obtain access to the documents via the E-Filing system.

A person filing electronically using the NRC's adjudicatory E-Filing system may seek assistance by contacting the

NRC's Electronic Filing Help Desk through the "Contact Us" link located on the NRC's public website (<https://www.nrc.gov/site-help/e-submittals.html>), by email to MSHD.Resource@nrc.gov, or by a toll-free call at 1-866-672-7640. The NRC Electronic Filing Help Desk is available between 9 a.m. and 6 p.m., ET, Monday through Friday, except Federal holidays.

Participants who believe that they have good cause for not submitting documents electronically must file an exemption request, in accordance with 10 CFR 2.302(g), with their initial paper filing stating why there is good cause for not filing electronically and requesting authorization to continue to submit documents in paper format. Such filings must be submitted in accordance with 10 CFR 2.302(b)-(d). Participants filing adjudicatory documents in this manner are responsible for serving their documents on all other participants. Participants granted an exemption under 10 CFR 2.302(g)(2) must still meet the electronic formatting requirement in 10 CFR 2.302(g)(1), unless the participant also seeks and is granted an exemption from 10 CFR 2.302(g)(1).

Documents submitted in adjudicatory proceedings will appear in the NRC's electronic hearing docket, which is publicly available on the NRC's public website (<https://adams.nrc.gov/ehd>), unless otherwise excluded pursuant to an order of the presiding officer. If you do not have an NRC-issued digital ID

certificate as previously described, click "cancel" when the link requests certificates and you will be automatically directed to the NRC's electronic hearing docket where you will be able to access any publicly available documents in a particular hearing docket. Participants are requested not to include personal privacy information such as social security numbers, home addresses, or personal phone numbers in their filings unless an NRC regulation or other law requires submission of such information. With respect to copyrighted works, except for limited excerpts that serve the purpose of the adjudicatory filings and would constitute a Fair Use application, participants should not include copyrighted materials in their submission.

The following table provides the plant name, docket number, date of application, ADAMS accession number, and location in the application of the licensees' proposed NSHC determinations. For further details with respect to these license amendment applications, see the applications for amendment, which are available for public inspection in ADAMS. For additional direction on accessing information related to this document, see the "Obtaining Information and Submitting Comments" section of this document.

LICENSE AMENDMENT REQUEST(S)

Constellation Energy Generation, LLC; Limerick Generating Station, Units 1 and 2; Montgomery County, PA

Docket Nos.	50-352, 50-353.
Application date	March 6, 2026.
ADAMS Accession No.	ML26068A108.
Location in Application of NSHC	Pages 5-7 of Attachment 1.
Brief Description of Amendments	The proposed amendments would adopt Technical Specifications Task Force (TSTF) Traveler, TSTF-585, "Revise LCO [Limiting Condition for Operation] 3.0.3 to Require Managing Risk." TSTF-585 revises Limiting Condition for Operation (LCO) 3.0.3 to require assessing and managing plant risk whenever LCO 3.0.3 is entered. If the risk assessment determines that continuing plant operation is acceptable and other conditions are satisfied, 24 hours from entry into LCO 3.0.3 is permitted to initiate a shutdown. Otherwise, initiation of the shutdown is required immediately. The proposed amendments also revise or add some Technical Specification Required Actions to direct other actions instead of entry into LCO 3.0.3.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Jason Zorn, Associate General Counsel, Constellation Energy Generation, LLC 101 Constitution Ave. NW, Suite 400 East, Washington, DC 20001.
NRC Project Manager, Telephone Number	Tony Sierra, 301-287-9531.

Constellation Energy Generation, LLC; Limerick Generating Station, Units 1 and 2; Montgomery County, PA; Constellation FitzPatrick, LLC and Constellation Energy Generation, LLC; James A. FitzPatrick Nuclear Power Plant; Oswego County, NY; Nine Mile Point Nuclear Station, LLC and Constellation Energy Generation, LLC; Nine Mile Point Nuclear Station, Unit 2; Oswego County, NY.

Docket Nos.	50-333, 50-352, 50-353, 50-410.
Application date	March 31, 2026.
ADAMS Accession No.	ML26090A177.
Location in Application of NSHC	Pages 3-5 of Attachment 1.

LICENSE AMENDMENT REQUEST(S)—Continued

Brief Description of Amendments	The proposed amendments request adoption of Technical Specifications Task Force (TSTF) Traveler, TSTF-576, Revision 3, "Revise Safety/Relief Valve Requirements." TSTF-576 revises the Safety/Relief Valve Technical Specifications to align the Overpressure Protection Requirements with the safety limits and the regulations.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Jason Zorn, Associate General Counsel, Constellation Energy Generation, LLC 101 Constitution Ave. NW, Suite 400 East, Washington, DC 20001.
NRC Project Manager, Telephone Number	Scott Wall, 301-415-2855.

Dominion Energy Nuclear Connecticut, Inc.; Millstone Power Station, Unit No. 3; New London County, CT

Docket No.	50-423.
Application date	January 16, 2026, as supplemented by letter dated March 24, 2026.
ADAMS Accession No.	ML26016A663, ML26084A425.
Location in Application of NSHC	Pages 21-23 of Attachment 1.
Brief Description of Amendment	The proposed amendment would modify Millstone Power Station, Unit No. 3 Technical Specification 3.5.2 "ECCS [Emergency Core Cooling System] SUBSYSTEMS—T _{avg} GREATER THAN OR EQUAL TO 350°F [Degrees Fahrenheit]" to provide a one-time allowance to extend the allowed outage time (AOT). Dominion is requesting an extension of the AOT from 72 hours to 168 hours.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	W. S. Blair, Senior Counsel, Dominion Energy Services, Inc., 120 Tredegar St. RS-2, Richmond, VA 23219.
NRC Project Manager, Telephone Number	Theo Edwards.

Energy Northwest; Columbia Generating Station; Benton County, WA

Docket No.	50-397.
Application date	February 26, 2026.
ADAMS Accession No.	ML26057A361.
Location in Application of NSHC	Pages 10-12 of the Enclosure.
Brief Description of Amendment	The proposed amendment would incorporate the NRC-approved methodology described in licensing topical report, "GNF [Global Nuclear Fuel] CRDA [Control Rod Drop Accident] Application Methodology," NEDE-33885P-A, Revision 1 (ML20091K214). The proposed changes would revise the Columbia Generating Station (Columbia) technical specifications (TSs) to incorporate the methodology in the reference by modifying TS 3.1.3, "Control Rod Operability"; TS 3.1.6, "Rod Pattern Control"; TS 3.3.2.1, "Control Rod Block Instrumentation"; TS 3.10.7, "Control Rod Testing—Operating"; and TS 3.10.8, "Shutdown Margin (SDM) Test—Refueling"; to allow for greater flexibility in rod control operations during various stages of operation at Columbia.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Ryan Lukson, Assistant General Counsel, Energy Northwest, MD 1020, P.O. Box 968, Richland, WA 99352.
NRC Project Manager, Telephone Number	Mahesh Chawla, 301-415-8371.

Entergy Louisiana, LLC, and Entergy Operations, Inc.; River Bend Station, Unit 1; West Feliciana Parish, LA; Entergy Operations, Inc., System Energy Resources, Inc., Cooperative Energy, A Mississippi Electric Cooperative, and Entergy Mississippi, LLC; Grand Gulf Nuclear Station, Unit 1; Claiborne County, MS

Docket Nos.	50-416, 50-458.
Application date	April 9, 2026.
ADAMS Accession No.	ML26099A235.
Location in Application of NSHC	Pages 3-5 of the Enclosure.
Brief Description of Amendments	The proposed amendments would adopt Technical Specifications Task Force (TSTF) Traveler, TSTF-585, "Revise LCO [Limiting Condition for Operation] 3.0.3 to Require Managing Risk," and TSTF-597, "Eliminate LCO 3.0.3 Mode 2 Requirement." TSTF-585 revises LCO 3.0.3 to require assessing and managing plant risk whenever LCO 3.0.3 is entered. If the risk assessment determines that continuing plant operation is acceptable and other conditions are satisfied, 24 hours from entry into LCO 3.0.3 is permitted to initiate a shutdown. Otherwise, initiation of the shutdown is required. The proposed amendments would also revise or add some Technical Specification Required Actions to direct a plant shutdown instead of entry into LCO 3.0.3. TSTF-597 revises LCO 3.0.3 to eliminate the requirement to enter Mode 2.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Susan Raimo, Associate General Counsel—Nuclear, 101 Constitution Avenue NW, Washington, DC 20001.
NRC Project Manager, Telephone Number	Robert Kuntz, 301-415-3733.

Entergy Operations, Inc.; Arkansas Nuclear One, Unit 1; Pope County, AR

Docket No.	50-313.
Application date	March 5, 2026.
ADAMS Accession No.	ML26064A194.
Location in Application of NSHC	Pages 16-18 of the Enclosure.

LICENSE AMENDMENT REQUEST(S)—Continued

Brief Description of Amendment	The proposed amendment would relax a portion of the January 2, 1980, Confirmatory Order (ML021220215) to implement all, "Category A," lessons learned to the Renewed Facility Operating License No. DPR-51 for Arkansas Nuclear One, Unit 1 (ANO-1), pursuant to the guidelines in section 2.7.8, "Relaxation, Withdrawal, or Rescission of Orders," of Part I, "Enforcement Process," of the Enforcement Manual (ML20329A339). Specifically, the requested change would be to define the duration of time that ANO-1 would have to remain in hot standby conditions with pressurizer heaters only, following a loss of offsite power. This change would allow ANO-1 to restore compliance with the Confirmatory Order.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Susan Raimo, Associate General Counsel—Nuclear, 101 Constitution Avenue NW, Washington, DC 20001.
NRC Project Manager, Telephone Number	Mahesh Chawla, 301-415-8371.

Entergy Operations, Inc.; Arkansas Nuclear One, Units 1 and 2; Pope County, AR; Entergy Operations, Inc.; Waterford Steam Electric Station, Unit 3; St. Charles Parish, LA

Docket Nos.	50-313, 50-368, 50-382
Application date	April 9, 2026.
ADAMS Accession No.	ML26099A237.
Location in Application of NSHC	Pages 6-7 of the Enclosure.
Brief Description of Amendments	The proposed amendments would adopt Technical Specifications Task Force (TSTF) Traveler, TSTF-585, "Revise LCO [Limiting Condition for Operation] 3.0.3 to Require Managing Risk." TSTF-585 revises LCO 3.0.3 to require assessing and managing plant risk whenever LCO 3.0.3 is entered. If the risk assessment determines that continuing plant operation is acceptable and other conditions are satisfied, 24 hours from entry into LCO 3.0.3 is permitted to initiate a shutdown. Otherwise, initiation of the shutdown is required immediately. The proposed amendment would also revise or add some Technical Specification Required Actions to direct a plant shutdown instead of entry into LCO 3.0.3.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Susan Raimo, Associate General Counsel—Nuclear, 101 Constitution Avenue NW, Washington, DC 20001.
NRC Project Manager, Telephone Number	Robert Kuntz, 301-415-3733.

Florida Power & Light Company, et al.; St. Lucie Plant, Unit Nos. 1 and 2; St. Lucie County, FL; Florida Power & Light Company; Turkey Point Nuclear Generating Unit Nos. 3 and 4; Miami-Dade County, FL; NextEra Energy Point Beach, LLC; Point Beach Nuclear Plant, Units 1 and 2; Manitowoc County, WI; NextEra Energy Seabrook, LLC; Seabrook Station, Unit No. 1; Rockingham County, NH

Docket Nos.	50-250, 50-251, 50-335, 50-389, 50-266, 50-301, 50-443.
Application date	April 8, 2026.
ADAMS Accession No.	ML26099A158.
Location in Application of NSHC	Pages 3-5 of the Enclosure.
Brief Description of Amendments	The proposed amendments would adopt Technical Specifications Task Force (TSTF) Traveler, TSTF-585, "Revise LCO [Limiting Condition for Operation] 3.0.3 to Require Managing Risk." TSTF-585 requires an assessment and management of plant risk upon LCO 3.0.3 entry, extends the period to initiate a plant shutdown from 1 hour to either 6 hours or up to 24 hours should the risk assessment determine that continued plant operation is acceptable, and requires an immediate shutdown in lieu of LCO 3.0.3 entry for specific technical specification Actions deemed to have a significant impact on plant safety.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	James Petro, Managing Attorney—Nuclear, Florida Power and Light Company 700 Universe Boulevard, MS LAW/JB, Juno Beach, FL 33408-0420; Steven Hamrick, Senior Attorney—Nuclear, Florida Power and Light Company, (LAW/WAS) General Counsel, 801 Pennsylvania Ave. NW, Suite 220 Washington, DC 20004.
NRC Project Manager, Telephone Number	Robert Kuntz, 301-415-3733.

Northern States Power Company; Prairie Island Nuclear Generating Plant, Units 1 and 2; Goodhue County, MN

Docket Nos.	50-282, 50-306.
Application date	March 20, 2026.
ADAMS Accession No.	ML26082A174.
Location in Application of NSHC	Pages 1-2 of the Enclosure, which cites Federal Register notice on October 31, 2000 (65 FR 65023).
Brief Description of Amendments	The proposed amendments would revise the technical specifications for Prairie Island Nuclear Generating Plant, Units 1 and 2, to adopt Technical Specification Task Force (TSTF) Traveler, TSTF-366, "Elimination of Requirements for a Post-Accident Sampling System (PASS)."
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Andrew Van Duzer, Assistant General Counsel, Xcel Energy, 701 Pennsylvania Ave. NW, Suite 250, Washington, DC 20004.
NRC Project Manager, Telephone Number	Brent Ballard, 301-415-0680.

LICENSE AMENDMENT REQUEST(S)—Continued

PSEG Nuclear LLC; Hope Creek Generating Station; Salem County, NJ

Docket No.	50–354.
Application date	December 31, 2025.
ADAMS Accession No.	ML25365A973.
Location in Application of NSHC	Pages 6–8 of Attachment 1.
Brief Description of Amendment	The proposed amendment would modify the technical specification requirements to permit the use of Risk Informed Completion Times in accordance with Technical Specifications Task Force (TSTF)-505–A, Revision 2, “Provide Risk-Informed Extended Completion Times—RITSTF Initiative 4b.” The proposed amendment would also incorporate TSTF–591–A, “Re- vise Risk Informed Completion Time (RICT) Program.”
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Francis Romano, PSEG—Services Corporation, 80 Park Plaza, T–10, Newark, NJ 07102.
NRC Project Manager, Telephone Number	Robert Kuntz, 301–415–3733.

Southern Nuclear Operating Company, Inc.; Edwin I. Hatch Nuclear Plant, Units 1 and 2; Appling County, GA

Docket Nos.	50–321, 50–366.
Application date	March 31, 2026.
ADAMS Accession No.	ML26090A374.
Location in Application of NSHC	Pages E2–E4 of the Enclosure.
Brief Description of Amendments	The proposed amendments would adopt Technical Specifications Task Force (TSTF) Traveler, TSTF–585, “Revise LCO [Limiting Condition for Operation] to Require Managing Risk.” TSTF–585 revises Limiting LCO 3.0.3 to require assessing and managing plant risk whenever LCO 3.0.3 is entered. If the risk assessment determines that continuing plant operation is acceptable and other conditions are satisfied, 24 hours from entry into LCO 3.0.3 is permitted to initiate a shutdown. Otherwise, initiation of the shutdown is required immediately. The proposed amendments would also revise or add some Technical Specification Required Actions to direct a plant shutdown instead of entry into LCO 3.0.3. The amendments would also adopt TSTF–597, “Eliminate LCO 3.0.3 Mode 2 Requirement,” which would eliminate the requirement to enter Mode 2.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Millicent Ronnlund, Vice President and General Counsel, Southern Nuclear Operating Co., Inc., P. O. Box 1295, Birmingham, AL 35201–1295.
NRC Project Manager, Telephone Number	Robert Kuntz, 301–415–3733.

Southern Nuclear Operating Company, Inc.; Joseph M. Farley Nuclear Plant, Units 1 and 2; Houston County, AL; Southern Nuclear Operating Company, Inc.; Vogtle Electric Generating Plant, Units 1 and 2; Burke County, GA; Southern Nuclear Operating Company, Inc.; Vogtle Electric Generating Plant, Units 3 and 4; Burke County, GA

Docket Nos.	50–348, 50–364, 50–424, 50–425, 52–025, 52–026.
Application date	March 31, 2026.
ADAMS Accession No.	ML26090A420.
Location in Application of NSHC	Pages E3–E5 of the Enclosure.
Brief Description of Amendments	The proposed amendments would adopt Technical Specifications Task Force (TSTF) Traveler, TSTF–585, “Revise LCO [Limiting Condition for Operation] to Require Managing Risk.” TSTF–585 revises Limiting LCO 3.0.3 to require assessing and managing plant risk whenever LCO 3.0.3 is entered. If the risk assessment determines that continuing plant operation is acceptable and other conditions are satisfied, 24 hours from entry into LCO 3.0.3 is permitted to initiate a shutdown. Otherwise, initiation of the shutdown is required immediately. The proposed amendments would also revise or add some Technical Specification Required Actions to direct a plant shutdown instead of entry into LCO 3.0.3.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Millicent Ronnlund, Vice President and General Counsel, Southern Nuclear Operating Co., Inc., P. O. Box 1295, Birmingham, AL 35201–1295.
NRC Project Manager, Telephone Number	Robert Kuntz, 301–415–3733.

Southern Nuclear Operating Company, Inc.; Vogtle Electric Generating Plant, Units 3 and 4; Burke County, GA

Docket Nos.	52–025, 52–026.
Application date	February 26, 2026.
ADAMS Accession No.	ML26057A390.
Location in Application of NSHC	Pages A1–8 to Page A1–9.
Brief Description of Amendments	The proposed amendments would modify Technical Specification requirements to permit the use of a Surveillance Frequency Control Program consistent with the methodology described in Technical Specifications Task Force (TSTF) Traveler, TSTF–425, Revision 3, “Relocate Surveillance Frequencies to Licensee Control—RITSTF Initiative 5b” (Package ML090850642), TSTF–563, Revision 0, “Revise Instrument Testing Definitions to Incorporate the Surveillance Frequency Control Program,” dated December 6, 2018, and TSTF–596, Revision 2, “Expand the Applicability of the Surveillance Frequency Control Program (SFCP),” (Package ML25251A241).
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Millicent Ronnlund, Vice President and General Counsel, Southern Nuclear Operating Co., Inc., P. O. Box 1295, Birmingham, AL 35201–1295.

LICENSE AMENDMENT REQUEST(S)—Continued

NRC Project Manager, Telephone Number	John Lamb, 301–415–3100.
Tennessee Valley Authority; Browns Ferry Nuclear Plant, Units 1, 2, and 3; Limestone County, AL; Tennessee Valley Authority; Sequoyah Nuclear Plant, Units 1 and 2; Hamilton County, TN; Tennessee Valley Authority; Watts Bar Nuclear Plant, Units 1 and 2; Rhea County, TN	
Docket Nos.	50–259, 50–260, 50–296, 50–327, 50–328, 50–390, 50–391
Application date	February 25, 2026.
ADAMS Accession No.	ML26056A279.
Location in Application of NSHC	Pages E1–E3 of the Enclosure.
Brief Description of Amendments	The proposed amendments would revise the Browns Ferry Nuclear Plant, Units 1, 2, and 3, Sequoyah Nuclear Plant, Units 1 and 2, and Watts Bar Nuclear Plant, Units 1 and 2, technical specifications for the Ventilation Filter Testing Program to permit the use of alternate challenge agents when performing in place testing of engineered safety feature ventilation system high efficiency particulate air filters and charcoal adsorbers. The proposed changes are being requested in accordance with Technical Specification Task Force (TSTF) Traveler, TSTF–602, Revision 0, “Revise the Ventilation Filter Testing Program to Permit Alternate Challenge Agents.”
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Rebecca Tolene (Acting), Executive VP and General Counsel Tennessee Valley Authority 400 West Summit Hill Drive WT 6A Knoxville, TN 37902.
NRC Project Manager, Telephone Number	Kimberly Green, 301–415–1627.

Union Electric Company; Callaway Plant, Unit No. 1; Callaway County, MO

Docket Nos.	50–483.
Application date	February 25, 2026.
ADAMS Accession No.	ML26056A312.
Location in Application of NSHC	Pages 13–15 of the Enclosure.
Brief Description of Amendments	The proposed amendment would revise Technical Specification (TS) 3.2.1, “Heat Flux Hot Channel Factor ($F_Q(Z)$) (F_Q Methodology),” to conform the required actions and surveillance requirements of the TS to the recommendations of Westinghouse Topical Report WCAP–17661–P–A, Revision 1, “Improved RAOC [Relaxed Axial Offset Control] and CAOC [Constant Axial Offset Control] F_Q Surveillance Technical Specifications,” dated February 2019 (ML19225C079). The proposed changes would make TS 3.2.1 consistent with the Standard Technical Specifications in NUREG–1431, Revision 4, “Standard Technical Specifications Westinghouse Plants,” Volume 1, “Specifications,” dated April 2012 (ML12100A222). The proposed changes would also revise TS 5.6.5, “Core Operating Limits (COLR),” to (1) add WCAP–17661–P–A to the list of NRC-approved methodologies used to develop the cycle-specific COLR (as presented in part “b” of TS 5.6.5), and (2) revise the description of one of the COLR limits (that are listed in part “a” of TS 5.6.5) due to adoption of the new methodology described in WCAP–17661–P–A. In addition to the changes related to TSs 3.2.1 and 5.6.5, proposed TS changes would correct a minor typographical error contained in the Table of Contents for TS 3.2.2, “Nuclear Enthalpy Rise Hot Channel Factor ($FN_{\Delta H}$).”
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Jay E. Silberg, Pillsbury Winthrop Shaw Pittman LLP, 1200 17th St. NW, Washington, DC 20036.
NRC Project Manager, Telephone Number	Mahesh Chawla, 301–415–8371.

Vistra Operations Company LLC; Beaver Valley Power Station, Units 1 and 2; Beaver County, PA

Docket Nos.	50–334, 50–412.
Application date	March 19, 2026.
ADAMS Accession No.	ML26078A033.
Location in Application of NSHC	Pages 2–3 of the Enclosure.
Brief Description of Amendments	The proposed amendments would adopt Technical Specification Task Force (TSTF) Traveler, TSTF–585, “Revise LCO [Limiting Condition for Operation] 3.0.3 to Require Managing Risk.” TSTF–585 revises LCO 3.0.3 to require assessing and managing plant risk whenever LCO 3.0.3 is entered. If the risk assessment determines that continuing plant operation is acceptable and other conditions are satisfied, 24 hours from entry into LCO 3.0.3 is permitted to initiate a shutdown. Otherwise, initiation of the shutdown is required immediately. The proposed amendments would also revise or add some Technical Specification Required Actions to direct a plant shutdown instead of entry into LCO 3.0.3.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Roland Backhaus, Senior Lead Counsel-Nuclear, Vistra Corp., 325 7th Street NW, Suite 520, Washington, DC 20004.
NRC Project Manager, Telephone Number	Robert Kuntz, 301–415–3733.

Vistra Operations Company LLC; Comanche Peak Nuclear Power Plant, Unit Nos. 1 and 2; Somervell County, TX

Docket Nos.	50–445, 50–446.
Application date	March 25, 2026.
ADAMS Accession No.	ML26084A491.
Location in Application of NSHC	Pages 2–3 of the Enclosure.

LICENSE AMENDMENT REQUEST(S)—Continued

Brief Description of Amendments	The proposed amendments would adopt Technical Specifications Task Force (TSTF) Traveler, TSTF-585, "Revise LCO [Limiting Condition for Operation] 3.0.3 to Require Managing Risk." TSTF-585 revises LCO 3.0.3 to require assessing and managing plant risk whenever LCO 3.0.3 is entered. If the risk assessment determines that continuing plant operation is acceptable and other conditions are satisfied, 24 hours from entry into LCO 3.0.3 is permitted to initiate a shutdown. Otherwise, initiation of the shutdown is required immediately. The proposed amendments would also revise or add some TS Required Actions to direct a plant shutdown instead of entry into LCO 3.0.3.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Roland Backhaus, Senior Lead Counsel-Nuclear, Vistra Corp., 325 7th Street NW, Suite 520, Washington, DC 20004.
NRC Project Manager, Telephone Number	Robert Kuntz, 301-415-3733.

Vistra Operations Company LLC; Perry Nuclear Power Plant, Unit 1; Lake County, OH

Docket Nos.	50-440.
Application date	March 26, 2026.
ADAMS Accession No.	ML26085A512.
Location in Application of NSHC	Pages 3-4 of the Enclosure.
Brief Description of Amendments	The proposed amendment would adopt Technical Specifications Task Force (TSTF) Traveler, TSTF-585, "Revise LCO [Limiting Condition for Operation] 3.0.3 to Require Managing Risk." TSTF-585 revises LCO 3.0.3 to require assessing and managing plant risk whenever LCO 3.0.3 is entered. If the risk assessment determines that continuing plant operation is acceptable and other conditions are satisfied, 24 hours from entry into LCO 3.0.3 is permitted to initiate a shutdown. Otherwise, initiation of the shutdown is required immediately. The proposed amendment would also revise or add some Technical Specification Required Actions to direct a plant shutdown instead of entry into LCO 3.0.3.
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Roland Backhaus, Senior Lead Counsel-Nuclear, Vistra Corp., 325 7th Street NW, Suite 520, Washington, DC 20004.
NRC Project Manager, Telephone Number	Robert Kuntz, 301-415-3733.

Wolf Creek Nuclear Operating Corporation; Wolf Creek Generating Station, Unit 1; Coffey County, KS

Docket No.	50-482.
Application date	March 17, 2026.
ADAMS Accession No.	ML26076A441.
Location in Application of NSHC	Pages 2-3 of Attachment I.
Brief Description of Amendment	The proposed amendment would modify technical specification requirements for unavailable barriers by adding Limiting Condition for Operation 3.0.9. The proposed changes are consistent with NRC-approved Technical Specification Task Force (TSTF) Standard Technical Specification Change Traveler, TSTF-427-A, Revision 2, "Allowance for Non- Technical Specification Barrier Degradation on Supported System OPERABILITY."
Proposed Determination	NSHC.
Name of Attorney for Licensee, Mailing Address	Chris Johnson, Corporate Counsel Director, Evergy, One Kansas City Place, 1KC-Missouri HQ 16, 1200 Main Street Kansas City, MO 64105.
NRC Project Manager, Telephone Number	Samson Lee, 301-415-3168.

III. Notice of Issuance of Amendments to Facility Operating Licenses and Combined Licenses

During the period since publication of the last monthly notice, the Commission has issued the following amendments. The Commission has determined for each of these amendments that the application complies with the standards and requirements of the Atomic Energy Act of 1954, as amended (the Act), and the Commission's rules and regulations. The Commission has made appropriate findings as required by the Act and the Commission's rules and regulations in 10 CFR chapter I, which are set forth in the license amendment.

A notice of consideration of issuance of amendment to facility operating

license or combined license, as applicable, proposed NSHC determination, and opportunity for a hearing in connection with these actions, were published in the **Federal Register** as indicated in the safety evaluation for each amendment.

Unless otherwise indicated, the Commission has determined that these amendments satisfy the criteria for categorical exclusion in accordance with 10 CFR 51.22. Therefore, pursuant to 10 CFR 51.22(b), no environmental impact statement or environmental assessment need be prepared for these amendments. If the Commission has prepared an environmental assessment under the special circumstances provision in 10 CFR 51.22(b) and has made a determination based on that

assessment, it is so indicated in the safety evaluation for the amendment.

For further details with respect to each action, see the amendment and associated documents such as the Commission's letter and safety evaluation, which may be obtained using the ADAMS accession numbers indicated in the following table. The safety evaluation will provide the ADAMS accession numbers for the application for amendment and the **Federal Register** citation for any environmental assessment. All of these items can be accessed as described in the "Obtaining Information and Submitting Comments" section of this document.

LICENSE AMENDMENT ISSUANCE(S)

Constellation Energy Generation, LLC; Limerick Generating Station, Unit 2; Montgomery County, PA

Docket No.	50–353.
Amendment Date	March 31, 2026.
ADAMS Accession No.	ML26070A193.
Amendment No.	232.
Brief Description of Amendment	The amendment revised the technical specifications to allow for a one-time extension to the containment integrated leakage rate test 15-year frequency and the drywell-to-suppression chamber bypass leak rate test.
Public Comments Received as to Proposed NSHC (Yes/No).	No.

Dominion Energy Nuclear Connecticut, Inc.; Millstone Power Station, Unit No. 2; New London County, CT

Docket No.	50–336.
Amendment Date	March 31, 2026.
ADAMS Accession No.	ML26078A167.
Amendment No.	347.
Brief Description of Amendment	The amendment adopted Technical Specifications Task Force (TSTF) Traveler, TSTF–601, “Extend Shield Building Completion Time After Refueling,” into the Millstone Power Station, Unit No. 2, Technical Specifications (TSs). TSTF–601 revised the shield building TS to add a new Action that is applicable prior to criticality following a refueling outage.
Public Comments Received as to Proposed NSHC (Yes/No).	No.

Duke Energy Carolinas, LLC; Catawba Nuclear Station, Units 1 and 2; York County, SC; Duke Energy Carolinas, LLC; McGuire Nuclear Station, Units 1 and 2; Mecklenburg County, NC; Duke Energy Progress, LLC; Brunswick Steam Electric Plant, Units 1 and 2; Brunswick County, NC; Duke Energy Progress, LLC; H. B. Robinson Steam Electric Plant, Unit No. 2; Darlington County, SC

Docket Nos.	50–325, 50–324, 50–413, 50–414, 50–369, 50–370, 50–261.
Amendment Date	April 10, 2026.
ADAMS Accession No.	ML26027A128.
Amendment Nos.	314 (Brunswick, Unit 1), 342 (Brunswick, Unit 2), 324 (Catawba, Unit 1), 320 (Catawba, Unit 2), 334 (McGuire, Unit 1), 313 (McGuire, Unit 2), 282 (Robinson, Unit 2).
Brief Description of Amendments	The amendments revised the Brunswick Steam Electric Plant, Unit Nos. 1 and 2 (BSEP); Catawba Nuclear Station, Unit Nos. 1 and 2 (CNS); McGuire Nuclear Station, Unit Nos. 1 and 2 (MNS); and H. B. Robinson Steam Electric Plant, Unit No. 2 (HBRSEP) Technical Specifications (TS) 1.1, “Use and Application Definitions,” and added new BSEP TS 5.5.16, CNS TS 5.5.18, MNS TS 5.5.19, and HBRSEP TS 5.5.19 “Online Monitoring Program.”
Public Comments Received as to Proposed NSHC (Yes/No).	No.

Energy Northwest; Columbia Generating Station; Benton County, WA

Docket No.	50–397.
Amendment Date	March 26, 2026.
ADAMS Accession No.	ML26022A213.
Amendment No.	281.
Brief Description of Amendment	The amendment revised the Columbia Generating Station technical specifications (TSs) based on Technical Specifications Task Force (TSTF) Traveler, TSTF–599, Revision 1, “Eliminate Periodic Surveillance Test of Simultaneous Start of Redundant Diesel Generators.” Specifically, the amendment deleted Surveillance Requirement 3.8.1.20 in TS 3.8.1, “AC [Alternating Current] Sources—Operating,” to verify that diesel generators achieve a specific frequency and voltage within a specified time period when started simultaneously.
Public Comments Received as to Proposed NSHC (Yes/No).	No.

Entergy Operations, Inc.; Waterford Steam Electric Station, Unit 3; St. Charles Parish, LA

Docket No.	50–382.
Amendment Date	April 8, 2026.
ADAMS Accession No.	ML26090A352.
Amendment No.	279.
Brief Description of Amendment	The amendment revised the Waterford Steam Electric Station, Unit 3, Technical Specification Section 5.0, “Design Features,” consistent with the Design Features in the NRC Standard Technical Specifications in NUREG–1432, “Standard Technical Specifications—Combustion Engineering Plants,” Revision 5.0, Volume 1, “Specifications,” September 2021.
Public Comments Received as to Proposed NSHC (Yes/No).	No.

Florida Power & Light Company; Turkey Point Nuclear Generating Unit Nos. 3 and 4; Miami-Dade County, FL

Docket Nos.	50–250, 50–251.
Amendment Date	April 21, 2026.

LICENSE AMENDMENT ISSUANCE(S)—Continued

ADAMS Accession No.	ML26099A260.
Amendment Nos.	305 (Unit 3) and 299 (Unit 4).
Brief Description of Amendments	The amendments allow the licensee to implement 10 CFR 50.69, "Risk-informed categorization and treatment of structures, systems and components for nuclear power reactors," at Turkey Point Nuclear Generating Unit Nos. 3 and 4.
Public Comments Received as to Proposed NSHC (Yes/No).	No.
Pacific Gas and Electric Company; Diablo Canyon Nuclear Power Plant, Units 1 and 2; San Luis Obispo County, CA	
Docket Nos.	50–275, 50–323.
Amendment Date	April 7, 2026.
ADAMS Accession No.	ML26072A180.
Amendment Nos.	257 (Unit 1) and 259 (Unit 2).
Brief Description of Amendments	The amendments revised Technical Specification 3.7.12, "Auxiliary Building Ventilation System (ABVS)," to prevent unnecessary unit shutdowns for a low-risk scenario.
Public Comments Received as to Proposed NSHC (Yes/No).	No.
Southern Nuclear Operating Company, Inc.; Vogtle Electric Generating Plant, Units 1 and 2; Burke County, GA	
Docket Nos.	50–424, 50–425.
Amendment Date	March 26, 2026.
ADAMS Accession No.	ML26062A818.
Amendment Nos.	230, 212.
Brief Description of Amendments	The amendments revised the licensing basis to support a full scope application of an Alternative Source Term methodology consistent with the guidance of Regulatory Guide 1.183, Revision 1, "Alternative Radiological Source Terms for Evaluating Design Basis Accidents at Nuclear Power Reactors."
Public Comments Received as to Proposed NSHC (Yes/No).	Yes.
Virginia Electric and Power Company, Dominion Nuclear Company; North Anna Power Station, Units 1 and 2; Louisa County, VA	
Docket Nos.	50–338, 50–339.
Amendment Date	April 3, 2026.
ADAMS Accession No.	ML26089A151.
Amendment Nos.	298 (Unit 1), 281 (Unit 2).
Brief Description of Amendments	The amendments added a new Technical Specification 3.9.6, "Containment Sump," and added an Action to address the condition of the containment sump made inoperable as described in the application.
Public Comments Received as to Proposed NSHC (Yes/No).	No.

Authority: 42 U.S.C. 2011 *et seq.*

For the Nuclear Regulatory Commission.
Dated: May 5, 2026.

Ilka Berrios,

Acting Director, Division of Operating Reactor Licensing, Office of Nuclear Reactor Regulation.

[FR Doc. 2026–09369 Filed 5–11–26; 8:45 am]

BILLING CODE 7590–01–P

PENSION BENEFIT GUARANTY CORPORATION

No Adjustment of Civil Penalties for Inflation

AGENCY: Pension Benefit Guaranty Corporation.

ACTION: Notice.

SUMMARY: The Pension Benefit Guaranty Corporation (PBGC) is notifying the public that its civil monetary penalty amounts will not increase for the 2026 calendar year. PBGC is generally

required by statute to amend its regulations annually to adjust for inflation the maximum civil penalty for failure to provide certain notices or other material information and for failure to provide certain multiemployer plan notices. In accordance with guidance from the Office of Management and Budget (OMB), PBGC will continue to use the 2025 civil monetary penalty levels because there will be no cost-of-living adjustment for 2026.

FOR FURTHER INFORMATION CONTACT:

Andrew Wilson (wilson.andrew1@pbgc.gov), Attorney, Legislative and Regulatory Division, Office of the General Counsel, Pension Benefit Guaranty Corporation, 445 12th Street SW, Washington, DC 20024–2101; 202–860–8354. If you are deaf or hard of hearing, or have a speech disability, please dial 7–1–1 to access telecommunications relay services.

SUPPLEMENTARY INFORMATION:

Executive Summary

This notice informs the public that there will not be an increase to the maximum civil monetary penalties under 29 CFR part 4071 and 29 CFR part 4302 for failures to provide certain notices and information, including reportable event filings, 4062(e) event and withdrawal notices, premium filings, standard termination filings, annual financial and actuarial information reports, and multiemployer plan insolvency and mass-withdrawal filings.

Because there will be no cost-of-living multiplier for 2026, the maximum civil penalties that PBGC may assess under sections 4071 and 4302 of the Employee Retirement Income Security Act of 1974 (ERISA) will remain at \$2,739 for section 4071 penalties and \$365 for section 4302 penalties.

Background

PBGC administers title IV of ERISA. Title IV includes two different provisions that authorize PBGC to assess civil monetary penalties.¹ Section 4071 authorizes PBGC to assess a civil penalty of up to \$1,000 a day for failure to notify PBGC of: the occurrence of certain reportable events under 29 CFR part 4043 (OMB control nos. 1212–0013 and 1212–0041); section 4062(e) events and substantial employer withdrawals (OMB control no. 1212–0073); premium filings under 29 CFR part 4007 (OMB control no. 1212–0009); standard terminations under 29 CFR part 4041 (OMB control no. 1212–0036); and annual financial and actuarial information reporting under 29 CFR part 4010 (OMB control no. 1212–0049). Section 4302 authorizes PBGC to assess a civil penalty of up to \$100 a day against multiemployer plans for failure to make required filings under 29 CFR part 4245 (Duties of Plan Sponsor of an Insolvent Plan, OMB control no. 1212–0033); and filings under 29 CFR part 4281 (Duties of Plan Sponsor Following Mass Withdrawal, OMB control no. 1212–0032).

No Adjustment of Civil Penalties for 2026

The Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015,² requires agencies to adjust civil monetary penalties for inflation and to publish the adjustments in the **Federal Register**. An initial adjustment was required to be made by the interim final rule published by July 1, 2016, and effective by August 1, 2016. Subsequent adjustments must be published by January 15 of each year after 2016.

On April 17, 2026, OMB issued memorandum M–26–11 informing agencies of the cancellation of the inflation adjustment for 2026.³ Accordingly, PBGC will continue to

apply the 2025 civil monetary penalty levels.

Jack Lund,

*General Counsel and Corporate Secretary,
Pension Benefit Guaranty Corporation.*

[FR Doc. 2026–09334 Filed 5–11–26; 8:45 am]

BILLING CODE 7709–02–P

OFFICE OF PERSONNEL MANAGEMENT

[Docket ID: OPM–2026–0134]

Privacy Act of 1974; System of Records

AGENCY: U.S. Office of Personnel Management.

ACTION: Notice of a modified system of records.

SUMMARY: In accordance with the Privacy Act of 1974, the Office of Personnel Management (OPM) proposes to add a routine use to OPM GOVT–1, General Personnel Records, to implement requirements from Executive Order 14249, *Protecting America's Bank Account Against Fraud, Waste, and Abuse*, and OMB Memorandum M–25–32, *Preventing Improper Payments and Protecting Privacy Through Do Not Pay*.

DATES: Submit comments on or before June 11, 2026. The new routine use will be effective June 12, 2026.

ADDRESSES: You may submit written comments using the Federal Rulemaking Portal at <https://www.regulations.gov>. All submissions received must include the agency name and docket number for this **Federal Register** document. The general policy for comments and other submissions from members of the public is to make these submissions available for public viewing on the internet at <https://www.regulations.gov> as they are received without change, including any personal identifiers.

FOR FURTHER INFORMATION CONTACT: Becky Ronayne, Senior Agency Official for Privacy, OPM Privacy and Risk Management Office: Becky.Ronayne@opm.gov. Office of Personnel Management, 1900 E Street NW, Washington, DC 20415–0001.

SUPPLEMENTARY INFORMATION: On March 25, 2025, President Trump issued Executive Order (E.O.) 14249, *Protecting America's Bank Account Against Fraud, Waste, and Abuse*, which instructs agencies, including OPM, to “review and modify, as applicable, their relevant system of records notices under the Privacy Act of 1974 to include a “routine use” that allows for the disclosure of records to the Department

of the Treasury for the purposes of identifying, preventing, or recouping fraud and improper payments, to the extent permissible by law.”

In support of this effort, the Office of Management and Budget (OMB) issued Memorandum M–25–32, *Preventing Improper Payments and Protecting Privacy Through Do Not Pay*, which requires agencies to review and update their system of records notices, as relevant and necessary, to include a routine use permitting disclosure of records to the Department of the Treasury, including the Do Not Pay Working System, to support payment and award eligibility review and improper payment prevention and recovery activities. The memorandum further directs agencies to use Treasury's Do Not Pay capabilities, consistent with applicable privacy protections, to verify eligibility, detect fraud, and prevent and recoup improper payments.

To ensure compliance with E.O. 14249 and OMB Memorandum M–25–32, OPM conducted a review of its system of records notices and identified those requiring modification. Accordingly, OPM is proposing to add a routine use to OPM GOVT–1, General Personnel Records to permit disclosure of records to the Department of the Treasury for these purposes.

In accordance with 5 U.S.C. 552a(r), OPM provided this notice to modify the system of records to the Office of Management and Budget and to Congress. These modifications will also be included in OPM's inventory of record systems.

Signing Statement

The Director of OPM, Scott Kupor, reviewed and approved this document and has authorized the undersigned to electronically sign and submit this document to the Office of the Federal Register for publication.

U.S. Office of Personnel Management.

Jerson Matias,

Federal Register Liaison.

SYSTEM NAME AND NUMBER:

OPM GOVT–1, General Personnel Records.

SECURITY CLASSIFICATION:

Unclassified.

SYSTEM LOCATION:

Records on current Federal employees are located within the employing agency. Records maintained in paper may also be located at OPM or with personnel officers, or at other designated offices of local installations of the department or agency that

¹ Under the Federal Civil Penalties Inflation Adjustment Act of 1990, a penalty is a civil monetary penalty if (among other things) it is for a specific monetary amount or has a maximum amount specified by Federal law. Title IV also provides (in section 4007) for penalties for late payment of premiums, but those penalties are neither in a specified amount nor subject to a specified maximum amount.

² Sec. 701, Public Law 114–74, 129 Stat. 599–601 (Bipartisan Budget Act of 2015).

³ See M–26–11, Cancellation of Penalty Inflation Adjustments for 2026, Regarding the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, <https://www.whitehouse.gov/wp-content/uploads/2026/04/M-26-11-Cancellation-of-Penalty-Inflation-Adjustments-for-2026-Regarding-the-Federal-Civil-Penalties-Inflation-Adjustment-Act-Improvements-Act-of-2015.pdf>.

employs the individual. When agencies determine that duplicates of these records need to be located in a second office, *e.g.*, an administrative office closer to where the employee actually works, such copies are covered by this system of records. Some agencies have employed the electronic Official Personnel Folder (eOPF) information technology system to store their records electronically. Although stored in eOPF, agencies are still responsible for the maintenance of their records. In addition, certain data elements from the eOPF are collected and maintained in OPM's Enterprise Human Resource Integration (EHRI) system.

Former Federal employees' paper Official Personnel Folders (OPFs) are located at the National Personnel Records Center, National Archives and Records Administration, in Valmeyer, Illinois. Former Federal employees' electronic Official Personnel Folders (eOPF) are located in the eOPF system at OPM.

Note 1—The records in this system are records of the OPM and must be provided to those OPM employees who have an official need or use for those records. Therefore, if an employing agency is asked by an OPM employee to access the records within this system, such a request must be honored.

SYSTEM MANAGER(S):

a. Executive Director, Human Capital Data Management and Modernization, U.S. Office of Personnel Management, 1900 E Street NW, Washington, DC 20415; Associate Director, Employee Services, U.S. Office of Personnel Management, 1900 E Street NW, Washington, DC 20415.

b. For current Federal employees, OPM has delegated to the employing agency the Privacy Act responsibilities concerning access, amendment, and disclosure of the records within this system notice.

PURPOSE(S) OF THE SYSTEM:

The OPF, which may exist in various approved media, and other general personnel records files, is the official repository of the records, reports of personnel actions, and the documentation required in connection with these actions affected during an employee's Federal service. The personnel action reports and other documents, some of which are filed in the OPF, give legal force and effect to personnel transactions and establish employee rights and benefits under pertinent laws and regulations governing Federal employment.

These files and records are maintained by OPM and agencies in

accordance with OPM regulations and instructions. They provide the basic source of factual data about a person's Federal employment while in the service and after his or her separation. Records in this system have various uses by agency personnel offices, including screening qualifications of employees; determining status, eligibility, and employee's rights and benefits under pertinent laws and regulations governing Federal employment; verifying eligibility for Federal employment, benefits, and payments; supporting activities to identify, prevent, or recoup improper payments and fraud; computing length of service; and other information needed to provide personnel services. These records may also be used to locate individuals for personnel research.

ROUTINE USES OF RECORDS MAINTAINED IN THE SYSTEM, INCLUDING CATEGORIES OF USERS AND PURPOSES OF SUCH USES:

All existing routine uses will remain in place and will not be affected. The following routine use will be added to OPM GOVT-1:

To the U.S. Department of the Treasury when disclosure of the information is relevant to review payment and award eligibility through the Do Not Pay Working System for the purposes of identifying, preventing, or recouping improper payments to an applicant for, or recipient of, Federal funds, including funds disbursed by a state (meaning a state of the United States, the District of Columbia, a territory or possession of the United States, or a federally recognized Indian tribe) in a state-administered, federally funded program.

HISTORY:

77 FR 73694 (December 11, 2012), 87 FR 5874 (February 2, 2022), and 88 FR 56058 (August 17, 2023).

[FR Doc. 2026-09339 Filed 5-11-26; 8:45 am]

BILLING CODE 6325-46-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105394; File No. SR-SAPPHIRE-2026-21]

Self-Regulatory Organizations; MIAX Sapphire, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the MIAX Sapphire Fee Schedule To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 23, 2026, MIAX Sapphire, LLC ("MIAX Sapphire" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend the MIAX Sapphire Options Exchange Fee Schedule (the "Fee Schedule") to establish fees for Industry Members³ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the "CAT NMS Plan" or "Plan") for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC ("CAT LLC" or the "Company") and referred to as CAT Fee 2026-1, and would be described in a section of the Exchange's fee schedule entitled "Consolidated Audit Trail Funding Fees." The fee rate for CAT Fee 2026-1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ An "Industry Member" is defined as "a member of a national securities exchange or a member of a national securities association." See Miami International Securities Exchange LLC ("MIAX Rule") Rule 1701(u). The Exchange notes that MIAX Chapter XVII is incorporated by reference into the Exchange's rulebook. As such, MIAX Chapter XVII also applies to the Exchange. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See MIAX Rule 1701.

receive their first monthly invoice for CAT Fee 2026–1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. As described further below, CAT Fee 2026–1 is anticipated to be in place for eight months, and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-options/all-options-exchanges/rule-filings>, and at MIAX Sapphire’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁴ On November 15, 2016, the Commission approved the CAT NMS Plan.⁵ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the

Participants.⁶ The Operating Committee adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁷

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“CAT Fees”).⁸

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (‘CAT Fees’) to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants (‘Prospective CAT Costs’).”⁹ In establishing a CAT Fee, the Operating Committee will calculate a “Fee Rate” for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed

equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹⁰ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹¹ Participants would be subject to the same Fee Rate as CEBBs and CEBSs.¹² While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹³ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁴ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁵

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁶ The Plan further states that “[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate.”¹⁷ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBS for each applicable transaction in Eligible

⁶ Section 11.1(b) of the CAT NMS Plan.

⁷ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁸ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

⁹ Section 11.3(a) of the CAT NMS Plan.

¹⁰ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹¹ Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii) of the CAT NMS Plan.

¹³ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁴ CAT Funding Model Approval Order at 13448.

¹⁵ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁶ Section 11.1(b) of the CAT NMS Plan.

¹⁷ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

⁴ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁵ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

Securities.¹⁸ The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in

an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the

contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.¹⁹

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²⁰

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²¹

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²²

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party ..	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through

December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as

discussed in detail below.²³ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is

¹⁸ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities

recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

¹⁹ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

²⁰ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026),

https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²¹ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²² See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ Section 11.3(a)(i) of the CAT NMS Plan.

then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁴ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁵ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁶

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁷

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁸ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that: [w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.²⁹ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated

costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³⁰ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³¹

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³²

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³³ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

²⁴ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁶ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁷ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁸ Section 11.3(a)(i)(C) of the CAT NMS Plan.

²⁹ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³⁰ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³¹ CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations

of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³² Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³³ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁴

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853 + (\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630 = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT

LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for 2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁵ the updated

annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁶ the Original 2026

www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf.

³⁶ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf).

³⁴ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

³⁵ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

CAT Budget and the Updated 2026 CAT Budget, and is provided for informational purposes. In each case, the costs provided reflect the costs for

the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31,

2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized developed technology costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.
Total	27,931,483	27,344,970	Decrease by \$586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁷ It is

anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁸ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁹ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴⁰ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴¹ The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴²

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth

2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁸ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

³⁹ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴² This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴³

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁴ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁵ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the

⁴³ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁵ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

³⁷ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16,

Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁶ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT

NMS Plan in connection with the operation and maintenance of the CAT;

- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period

will be approximately \$19,691,953.⁴⁷ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁸

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁴⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original

⁴⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁸ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁴⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵⁰ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵¹

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵²

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors,

including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵³ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁴

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT

Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁶ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (i.e., capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately

⁵⁰ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵¹ See CAIS Amendment and Cost Savings Amendment.

⁵² See Section 9 of Appendix D of the CAT NMS Plan.

⁵³ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁴ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁵ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁶ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

\$0.⁵⁷ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁸ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁵⁹ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶⁰ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶¹ The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶²

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs

for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶³ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁴ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a

⁵⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁸ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶⁰ See CAIS Amendment and Cost Savings Amendment.

⁶¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶² This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶³ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;

- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁵ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁶ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC’s May 20, 2024 order⁶⁷ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not

immediately actionable.⁶⁸ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner’s fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁶⁹ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁰

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷¹ The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the

⁶⁸ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁶⁹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁰ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁵ *Davidson et al. v. Atkins et al.*, Case No. 6:24–cv–197 (W.D. Tex.).

⁶⁶ *Am. Sec. Ass’n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁷ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷² Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT

LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷³ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁴

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as

well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁵ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁶ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for

⁷² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁴ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

the CAT Fee 2026–1 Period.⁷⁷ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁸ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget

from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁷⁹ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;

- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;
- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's

⁷⁷ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁷⁹ Section 9.2 of the CAT NMS Plan.

financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸⁰ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸¹ The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this

filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸² Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸³

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing

describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁴ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁵ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁶ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly,

⁸⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁷ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the

avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁸

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁸⁹

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee

filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹⁰ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹¹

⁸⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁸ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁸⁹ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹⁰ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹¹ CAT Funding Model Approval Order at 13452.

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹²

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹³

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁴ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in

accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁵

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁶ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB's or CEBB's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBB from the prior month.⁹⁷ Proposed paragraph (a)(vi)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBB is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange's fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that: Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for

the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB's CAT Fee or CEBS's CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁸

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(vi) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(vi) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by

⁹² This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁴ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁵ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁶ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁷ See proposed paragraph (a)(vi)(B) of the fee schedule.

⁹⁸ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

one-third and describing the relevant number of decimal places for the fee.”⁹⁹ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰⁰ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(vi)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(vi)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(vi)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(vi)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set forth in CAT Data. The fee for each such

transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(vi)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(vi)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰¹ The Plan Processor has established a billing system for CAT fees.¹⁰² Accordingly,

CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰³

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker’s CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁴

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the

⁹⁹ CAT Funding Model Approval Order at 13445, n.677.

¹⁰⁰ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

¹⁰¹ Section 11.4 of the CAT NMS Plan.

¹⁰² The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and

the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰³ Section 11.4 of the CAT NMS Plan.

¹⁰⁴ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

calculation of their CAT Fee.¹⁰⁵ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁶ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁷ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁸ the Financial Accountability

Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹⁰⁹

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹⁰ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹¹ On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹² each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(vi)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹³ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁴ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act, which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁵ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers,

¹⁰⁵ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁶ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁷ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁸ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹⁰⁹ See Securities Exchange Act Rel. No. 100875 (August 29, 2024), 89 FR 72623 (September 5, 2024) (SR–SAPPHIRE–2024–24) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From July 16, 2024 Through December 31, 2024).

¹¹⁰ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹¹ CAT Funding Model Approval Order at 13448.

¹¹² See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹³ 15 U.S.C. 78f(b)(6).

¹¹⁴ 15 U.S.C. 78f(b)(4).

¹¹⁵ See 15 U.S.C. 78f(b)(1).

and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."¹¹⁶ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBSS are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."¹¹⁷ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹¹⁸ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹¹⁹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee

2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide:

the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide "sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate." As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is "reasonable and appropriate." Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm's length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a

¹¹⁷ *Id.*

¹¹⁸ CAT Funding Model Approval Order at 13481.

¹¹⁹ *Id.*

¹¹⁶ CAT NMS Plan Approval Order at 84697.

part of CAT Fees.¹²⁰ CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²¹ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²² and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²³ In contrast to the 2016 projections, the

actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁴

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to

operating fees as a part of CAT Fees.¹²⁵ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁶ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁷ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹²⁸

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹²⁹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³⁰ CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the

¹²⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²¹ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²² Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²³ CAT NMS Plan Approval Order at 84801.

¹²⁴ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁶ See Section 3(a)(2)(C)(ii) above.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³¹ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³²

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³³ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁴ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁵ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT

and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁶

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁷ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁸

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴⁰ and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide

assistance in the management of various CAT matters and the processes related to such matters.¹⁴¹ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴²

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴³ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁴ As discussed above,¹⁴⁵ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁶

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁷ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT

¹⁴¹ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴² Section 3(a)(2)(C)(vii) above.

¹⁴³ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁴ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁵ See Section 3(a)(2)(C)(viii) above.

¹⁴⁶ *Id.*

¹⁴⁷ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹³¹ See Section 3(a)(2)(C)(iii) above.

¹³² *Id.*

¹³³ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁴ See Section 3(a)(2)(C)(iv) above.

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(v) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(vi) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴⁰ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁴⁸

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁴⁹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵⁰

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵¹ However, as described above,¹⁵² CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any

public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵³ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁴ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁵ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁶

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁷ The

SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁵⁸ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁵⁹

As discussed further below,¹⁶⁰ however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶¹ As discussed above,¹⁶² this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by

¹⁴⁸ See Section 3(a)(2)(C)(ix) above.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.*

¹⁵¹ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵² See Section 3(a)(2)(C)(x) above.

¹⁵³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁴ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁵ CAT Funding Model Approval Order at 13444.

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ See Section 3(a)(2)(C)(xii) above.

¹⁶⁰ See Section 3(b)(2)(B) below.

¹⁶¹ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶² See Section 3(a)(2)(C)(xii) above.

counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶³

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times

5,980,937,549,360.49 executed equivalent shares.¹⁶⁴ The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁵ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁶

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee

2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁷ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁶⁸

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁶⁹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷⁰ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable.

Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷¹ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The

¹⁶⁷ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁶⁸ *Id.*

¹⁶⁹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷⁰ CAT Funding Model Approval Order at 13412.

¹⁷¹ 15 U.S.C. 78f(b)(8).

¹⁶³ See Section 3(a)(2)(D) above.

¹⁶⁴ *Id.*

¹⁶⁵ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁶ See Section 3(a)(5)(A) above.

Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷² The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing of Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁷³ and Rule 19b–4(f)(2)¹⁷⁴ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–SAPPHIRE–2026–21 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–SAPPHIRE–2026–21. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–SAPPHIRE–2026–21

and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁵

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026–09347 Filed 5–11–26; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105390; File No. SR–EMERALD–2026–12]

Self-Regulatory Organizations; MIAX Emerald, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the MIAX Emerald Options Exchange Fee Schedule To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, MIAX Emerald, LLC (“MIAX Emerald” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the MIAX Emerald Options Exchange Fee Schedule (the “Fee Schedule”) to establish fees for Industry Members³ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit

¹⁷⁵ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Miami International Securities Exchange LLC (“MIAX Rule”) Rule 1701(u). The Exchange notes that MIAX Chapter XVII is incorporated by reference into the Exchange's rulebook. As such, MIAX Chapter XVII also applies to the Exchange. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See MIAX Rule 1701.

¹⁷² CAT Funding Model Approval Order at 13457–81.

¹⁷³ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷⁴ 17 CFR 240.19b–4(f)(2).

Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or the “Company”) and referred to as CAT Fee 2026–1, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for CAT Fee 2026–1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. As described further below, CAT Fee 2026–1 is anticipated to be in place for eight months, and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-options/emerald-options/rule-filings>, and at the Exchange’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁴ On November 15, 2016, the

Commission approved the CAT NMS Plan.⁵ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁶ The Operating Committee adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁷

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“CAT Fees”).⁸

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (‘CAT Fees’) to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants (‘Prospective CAT Costs’).”⁹ In establishing a CAT Fee, the Operating Committee will calculate a “Fee Rate”

for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹⁰ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹¹ Participants would be subject to the same Fee Rate as CEBBs and CEBSs.¹² While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹³ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁴ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁵

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁶ The Plan further states that “[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate.”¹⁷ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as

⁵ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁶ Section 11.1(b) of the CAT NMS Plan.

⁷ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁸ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

⁹ Section 11.3(a) of the CAT NMS Plan.

¹⁰ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹¹ Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii) of the CAT NMS Plan.

¹³ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁴ CAT Funding Model Approval Order at 13448.

¹⁵ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁶ Section 11.1(b) of the CAT NMS Plan.

¹⁷ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

⁴ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.¹⁸ The CAT NMS Plan defines a “CAT Executing Broker” to mean: (a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade

event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical

Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.¹⁹

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²⁰

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²¹

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²²

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party.	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by

dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1

Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as

¹⁸ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges

and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

¹⁹ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

²⁰ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for

Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²¹ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²² See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

discussed in detail below.²³ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be

\$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁴ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁵ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁶

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁷

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁸ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that: [w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.²⁹ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³⁰ The 2026 CAT budgets,

basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁸ Section 11.3(a)(i)(C) of the CAT NMS Plan.

²⁹ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³⁰ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a

both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³¹

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBSSs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³²

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³³ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as

quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³¹ CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³² Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³³ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

²³ Section 11.3(a)(i) of the CAT NMS Plan.

²⁴ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁶ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁷ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate

included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁴

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3}$ x \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3}$ x \$7,191,853) + \$7,191,853 + \$7,191,853 + ($\frac{2}{3}$ x \$192,630) + \$192,630 + \$192,630 = \$19,691,953.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3}$ x \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3}$ x \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3}$ x \$384,734) + \$384,734 + \$384,734 = \$1,025,957.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3}$ x \$300,977) + \$321,042 + \$331,074 = \$852,768.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3}$ x \$280,932) + \$280,932 + \$280,932 = \$749,151.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: \$517,208 + \$571,010 + \$365,164 = \$1,453,382. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: \$155,403,378—(\$41,800,153 + \$11,212,091) = \$102,391,135. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee

2026–1 and the related Participant CAT fees to repay such notes.

³⁴ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for 2025 approved by the Operating Committee in May 2025 (“May Updated

technology costs. In addition, amortization is a non-cash expense.

2025 CAT Budget”),³⁵ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁶ the Original 2026 CAT Budget and the Updated 2026 CAT

Budget, and is provided for informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period

from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958 ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.

³⁵ The May Updated 2025 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2025-05/>

[05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf](https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf)).

³⁶ The November Updated 2025 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2025-11/>

[12.22.25_CAT-LLC-2025-Financial_and_Operating-Budget.pdf](https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Financial_and_Operating-Budget.pdf)).

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026—Continued

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Total	27,931,483	27,344,970	Decrease by \$586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance

testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁷ It is anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁸ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁹ and that “[i]t is expected that the Central Repository

³⁷ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁸ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

³⁹ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

will grow to more than 29 petabytes of raw, uncompressed data.”⁴⁰ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴¹ The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴²

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴³

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴² This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

⁴³ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁴ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁵ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁶ The budgeted decrease in costs for cloud hosting services reflects lower costs for

January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT NMS Plan in connection with the operation and maintenance of the CAT;
- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period will be approximately \$19,691,953.⁴⁷ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth

⁴⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁵ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

⁴⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁴⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁸

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁴⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original 2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵⁰ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost

savings amendments to the CAT NMS Plan.⁵¹

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵²

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵³ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget.

Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁴

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁶ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the

⁴⁸ This calculation is $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853 + (\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630 = \$19,691,953$.

⁴⁹ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁰ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵¹ See CAIS Amendment and Cost Savings Amendment.

⁵² See Section 9 of Appendix D of the CAT NMS Plan.

⁵³ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁴ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁵ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁶ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (*i.e.*, capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately \$0.⁵⁷ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for

the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁸ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁵⁹ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the

development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶⁰ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶¹ The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶²

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶³ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs

⁶⁰ See CAIS Amendment and Cost Savings Amendment.

⁶¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶² This calculation is (\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶³ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁸ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁴ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services

performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;
- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;
- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis

of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁵ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁶ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC’s May 20, 2024 order⁶⁷ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁶⁸ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner’s fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal

⁶⁵ *Davidson et al. v. Atkins et al.*, Case No. 6:24-cv-197 (W.D. Tex.).

⁶⁶ *Am. Sec. Ass’n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁷ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁶⁸ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁶⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁶⁹ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁰

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷¹ The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in

the Updated 2026 CAT Budget are \$8,939,184.⁷² Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;

- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;

- Provide support for updating the SEC on the progress of the development of the CAT; and

- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷³ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁴

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁵ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted

⁶⁹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁰ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁴ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁶ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁷ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for

the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁸ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent

public accounting firm, and made publicly available.⁷⁹ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;

⁷⁶ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁷⁹ Section 9.2 of the CAT NMS Plan.

- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm’s relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC’s financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸⁰ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past

professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸¹ The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸² Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional

and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸³

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁴ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the

⁸¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁵ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁶ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT

Budget is \$2,806,325.⁸⁷ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁸

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the

beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1.

Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁸⁹

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026

⁸⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁸ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁸⁹ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹⁰ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹¹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent

share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹²

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹³

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁴ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁵

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁶ Accordingly, the fee rate to be paid by CEBBs and CEBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB’s

or CEBs’s fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBs from the prior month.⁹⁷ Proposed paragraph (a)(vi)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBs is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange’s fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that: Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB’s CAT Fee or CEBs’s CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁸

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(vi) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(vi) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for

⁹² This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁴ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (i.e., by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁵ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁶ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁷ See proposed paragraph (a)(vi)(B) of the fee schedule.

⁹⁸ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

⁹⁰ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹¹ CAT Funding Model Approval Order at 13452.

CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee.”⁹⁹ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰⁰ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(vi)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly

invoice for CAT Fee 2026–1.

Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(vi)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(vi)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(vi)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(vi)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–

1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(vi)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰¹ The Plan Processor has established a billing system for CAT fees.¹⁰² Accordingly, CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰³

⁹⁹ CAT Funding Model Approval Order at 13445, n.677.

¹⁰⁰ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

¹⁰¹ Section 11.4 of the CAT NMS Plan.
¹⁰² The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰³ Section 11.4 of the CAT NMS Plan.

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker's CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker's executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁴

Such information would provide CEBBs and CEBBs with the ability to understand the details regarding the calculation of their CAT Fee.¹⁰⁵ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side

transactions.”¹⁰⁶ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁷ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁸ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹⁰⁹

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹⁰ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹¹ On March 31, 2026,

¹⁰⁶ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁷ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁸ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹⁰⁹ See Securities Exchange Act Rel. No. 100825 (August 27, 2024), 89 FR 71524 (September 3, 2024) (SR-EMERALD-2024-23) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From July 16, 2024 Through December 31, 2024).

¹¹⁰ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹¹ CAT Funding Model Approval Order at 13448.

the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹² each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBBs. Like CEBBs and CEBBs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant's fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBBs as described in proposed paragraph (a)(vi)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹³ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to

¹¹² See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹³ 15 U.S.C. 78f(b)(6).

¹⁰⁴ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

¹⁰⁵ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁴ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act, which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.¹¹⁵ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."¹¹⁶ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly

discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."¹¹⁷ Similarly, in approving the CAT Funding Model, the SEC

concluded that the CAT Funding Model met this standard.¹¹⁸ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹¹⁹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/

¹¹⁴ 15 U.S.C. 78f(b)(4).

¹¹⁵ See 15 U.S.C. 78f(b)(1).

¹¹⁶ CAT NMS Plan Approval Order at 84697.

¹¹⁷ *Id.*

¹¹⁸ CAT Funding Model Approval Order at 13481.

¹¹⁹ *Id.*

or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²⁰ CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²¹ Indeed, the actual costs of

the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²² and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²³ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited

cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT’s costs and the level of fees assessed to support those costs.¹²⁴

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁵ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁶ CAT LLC also determined that the fixed price contract, negotiated on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar

¹²⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²¹ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²² Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²³ CAT NMS Plan Approval Order at 84801.

¹²⁴ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁶ See Section 3(a)(2)(C)(ii) above.

types of activity.¹²⁷ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹²⁸

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹²⁹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³⁰ CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³¹ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³²

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³³ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a

part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁴ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁵ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁶

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁷ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based

on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁸

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴⁰ and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴¹ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴²

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴³ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors

¹³⁸ See Section 3(a)(2)(C)(vi) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴⁰ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴¹ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, *e.g.*, CTA Plan and CQ Plan.

¹⁴² Section 3(a)(2)(C)(vii) above.

¹⁴³ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³¹ See Section 3(a)(2)(C)(iii) above.

¹³² *Id.*

¹³³ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁴ See Section 3(a)(2)(C)(iv) above.

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(v) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include “[i]nsurance against security breaches.”¹⁴⁴ As discussed above,¹⁴⁵ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁶

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁷ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁴⁸

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁴⁹

CAT LLC anticipates continuing to make use of Grant Thornton, an

independent accounting firm, to complete the audit of CAT LLC’s financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵⁰

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵¹ However, as described above,¹⁵² CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵³ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁴ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore,

should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁵ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁶

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁷ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁵⁸ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁵⁹

As discussed further below,¹⁶⁰ however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

¹⁴⁴ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁵ See Section 3(a)(2)(C)(viii) above.

¹⁴⁶ *Id.*

¹⁴⁷ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁴⁸ See Section 3(a)(2)(C)(ix) above.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.*

¹⁵¹ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵² See Section 3(a)(2)(C)(x) above.

¹⁵³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁴ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁵ CAT Funding Model Approval Order at 13444.

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ See Section 3(a)(2)(C)(xii) above.

¹⁶⁰ See Section 3(b)(2)(B) below.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶¹ As discussed above,¹⁶² this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶³

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times 5,980,937,549,360.49 executed equivalent shares.¹⁶⁴ The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

¹⁶¹ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶² See Section 3(a)(2)(C)(xii) above.

¹⁶³ See Section 3(a)(2)(D) above.

¹⁶⁴ *Id.*

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁵ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁶

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁷ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁶⁸

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁶⁹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently

¹⁶⁵ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁶ See Section 3(a)(5)(A) above.

¹⁶⁷ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁶⁸ *Id.*

¹⁶⁹ See Section 11.3(a) of the CAT NMS Plan.

demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷⁰ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee

¹⁷⁰ CAT Funding Model Approval Order at 13412.

2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable.

Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷¹ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the

potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷² The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁷³ and Rule 19b-4(f)(2)¹⁷⁴ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the

purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-EMERALD-2026-12 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-EMERALD-2026-12. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold

entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-EMERALD-2026-12 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁵

Stephanie J. Fouse,

Assistant Secretary.

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¹⁷¹ 15 U.S.C. 78f(b)(8).

¹⁷² CAT Funding Model Approval Order at 13457-81.

¹⁷³ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷⁴ 17 CFR 240.19b-4(f)(2).

¹⁷⁵ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105392; File No. SR–PEARL–2026–20]

Self-Regulatory Organizations; MIAx PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the MIAx Pearl Options Exchange Fee Schedule To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, MIAx PEARL, LLC (“MIAx Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the fee schedule applicable to the options trading platform of MIAx Pearl (the “Fee Schedule”) to establish fees for Industry Members³ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or the “Company”) and referred to as CAT Fee 2026–1, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will

receive their first monthly invoice for CAT Fee 2026–1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. As described further below, CAT Fee 2026–1 is anticipated to be in place for eight months, and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-options/pearl-options/rule-filings> and at MIAx Pearl’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁴ On November 15, 2016, the Commission approved the CAT NMS Plan.⁵ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁶ The Operating Committee

adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁷

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“CAT Fees”).⁸

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (‘CAT Fees’) to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants (‘Prospective CAT Costs’).”⁹ In establishing a CAT Fee, the Operating Committee will calculate a “Fee Rate” for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed

⁷ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁸ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

⁹ Section 11.3(a) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Miami International Securities Exchange LLC (“MIAx Rule”) Rule 1701(u). The Exchange notes that MIAx Chapter XVII is incorporated by reference into the Exchange’s rulebook. As such, MIAx Chapter XVII also applies to the Exchange. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See MIAx Rule 1701.

⁴ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁵ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁶ Section 11.1(b) of the CAT NMS Plan.

equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBBs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹⁰ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹¹ Participants would be subject to the same Fee Rate as CEBBs and CEBBs.¹² While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹³ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁴ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁵

CAT LLC proposes to charge CEBBs and CEBBs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b)

of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁶ The Plan further states that “[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate.”¹⁷ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBB for each applicable transaction in Eligible Securities.¹⁸ The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT

Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.¹⁹

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²⁰

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²¹

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

¹⁰ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹¹ Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii) of the CAT NMS Plan.

¹³ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁴ CAT Funding Model Approval Order at 13448.

¹⁵ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁶ Section 11.1(b) of the CAT NMS Plan.

¹⁷ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁸ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is

appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

¹⁹ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members

may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

²⁰ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²¹ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²²

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party ..	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²³ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBBs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁴ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁵ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March

31, 2026 (“Updated 2026 CAT Budget”).²⁶

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁷

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁸ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to

cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that: [w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.²⁹ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³⁰ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³¹

²⁹ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³⁰ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³¹ CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants

²² See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ Section 11.3(a)(i) of the CAT NMS Plan.

²⁴ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁶ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁷ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁸ Section 11.3(a)(i)(C) of the CAT NMS Plan.

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following:

the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³²

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³³ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: ((2/3 × \$7,191,853) + \$7,191,853 + \$7,191,853) + ((2/3 × \$192,630) + \$192,630 + \$192,630) = \$19,691,953.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × \$384,734) + \$384,734 + \$384,734 = \$1,025,957.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × \$300,977) + \$321,042 + \$331,074 = \$852,768.

that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match

projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³² Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³³ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

^kThis cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(2/3 \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^lThis \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^mThis interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿThis amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for

2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁵ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁶ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for

informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget Category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^aThis cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^bThis cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^cThis total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

³⁴ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized

technology costs. In addition, amortization is a non-cash expense.

³⁵ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁶ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf).

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs:	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.
Total	27,931,483	27,344,970	Decrease by \$586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and

Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁷ It is anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the

processing and storage of the CAT Data.³⁸ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁹ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴⁰ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴¹ The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is

³⁷ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁸ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

³⁹ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴²

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴³

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁴ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original

2026 Budget.⁴⁵ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁶ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the

operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT NMS Plan in connection with the operation and maintenance of the CAT;
- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC ("Algoseek"). CAT LLC determined that Algoseek would provide market data that

⁴² This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

⁴³ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁴ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁴⁵ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

⁴⁶ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period will be approximately \$19,691,953.⁴⁷ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁸

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁴⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a

Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original 2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵⁰ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵¹

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵²

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵³ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁴

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

⁴⁷ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁴⁸ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁴⁹ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁰ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵¹ See CAIS Amendment and Cost Savings Amendment.

⁵² See Section 9 of Appendix D of the CAT NMS Plan.

⁵³ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁴ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁵ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁶ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (*i.e.*, capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately \$0.⁵⁷ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁸ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

⁵⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁸ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁵⁹ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶⁰ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶¹ The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶²

CAT LLC estimated the budget for capitalized developed technology costs

⁵⁹ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶⁰ See CAIS Amendment and Cost Savings Amendment.

⁶¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶² This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁵⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶³ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁴ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted

increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;

- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;

- Assist with communications with the industry, including CAT Alerts and presentations;

- Provide guidance regarding the confidentiality of CAT Data;

- Assist with cost management analyses and proposals;

- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;

- Provide legal guidance with respect to the CAT budgets;

- Provide background assistance to other counsel for CAT matters;

- Assist with legal responses related to third-party data requests; and

- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁵ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁶ and (3) a lawsuit in the

⁶³ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶⁵ *Davidson et al. v. Atkins et al.*, Case No. 6:24-cv-197 (W.D. Tex.).

⁶⁶ *Am. Sec. Ass’n v. SEC*, Case No. 26–10936 (11th Cir.).

Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC's May 20, 2024 order⁶⁷ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁶⁸ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner's fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁶⁹ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁰

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were

\$1,838,617.⁷¹ The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷² Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee

2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte's fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷³ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the

⁶⁷ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁶⁸ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁶⁹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁰ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁴

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁵ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁶ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

⁷⁴ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁷ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors’ and officers’ liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC (“USI”). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included

⁷⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

in the Updated 2026 CAT Budget are \$1,254,070.⁷⁸ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC’s financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁷⁹ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin (“Anchin”) and Grant Thornton LLP (“Grant Thornton”) for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm’s relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

⁷⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁹ Section 9.2 of the CAT NMS Plan.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;
- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by

Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸⁰ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸¹ The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and

administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸² Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for

⁸⁰ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁸¹ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁸² See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

public relations costs for this period is \$0.⁸³

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁴ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁵ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were

\$757,527.⁸⁶ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁷ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the

CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁸

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate

⁸³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁸ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁸⁹

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all

transactions in Eligible Securities for the prior twelve months.”⁹⁰ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹¹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹²

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹³

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail

above.⁹⁴ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁵

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁶ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB’s or CEBB’s fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBB from the prior month.⁹⁷ Proposed paragraph (a)(vi)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBB is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new

⁸⁹ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (i.e., by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁰ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹² See proposed paragraph (a)(vi)(B) of the fee schedule.

⁹³ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹⁴ CAT Funding Model Approval Order at 13452.

⁹⁵ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁶ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁸⁹ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange’s fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that:

Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB’s CAT Fee or CEBS’s CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁸

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(vi) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(vi) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to

Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee.”⁹⁹ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰⁰ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(vi)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(vi)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(vi)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT

Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(vi)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(vi)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(vi)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each

⁹⁹ CAT Funding Model Approval Order at 13445, n.677.

¹⁰⁰ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁸ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰¹ The Plan Processor has established a billing system for CAT fees.¹⁰² Accordingly, CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰³

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker’s CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT

Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁴

Such information would provide CEBBs and CEBs with the ability to understand the details regarding the calculation of their CAT Fee.¹⁰⁵ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁶ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone

related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁷ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁸ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹⁰⁹

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹⁰ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹¹ On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹² each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBs. Like CEBBs and CEBs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBs as described in proposed paragraph

¹⁰⁴ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

¹⁰⁵ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁶ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁷ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁸ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹⁰⁹ See Securities Exchange Act Rel. No. 100872 (August 29, 2024), 89 FR 72501 (September 5, 2024) (SR–PEARL–2024–34) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From July 16, 2024 Through December 31, 2024).

¹¹⁰ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹¹ CAT Funding Model Approval Order at 13448.

¹¹² See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁰¹ Section 11.4 of the CAT NMS Plan.

¹⁰² The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰³ Section 11.4 of the CAT NMS Plan.

(a)(vi)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹³ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁴ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act, which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons

associated with its members,” with the provisions of the Exchange Act.¹¹⁵ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁶ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model,

finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁷ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹¹⁸ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹¹⁹ In each respect, as

¹¹³ 15 U.S.C. 78f(b)(6).

¹¹⁴ 15 U.S.C. 78f(b)(4).

¹¹⁵ See 15 U.S.C. 78f(b)(1).

¹¹⁶ CAT NMS Plan Approval Order at 84697.

¹¹⁷ *Id.*

¹¹⁸ CAT Funding Model Approval Order at 13481.

¹¹⁹ *Id.*

discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²⁰ CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²¹ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²² and that annual operating

costs for the CAT would range from \$36.5 million to \$55 million.¹²³ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT’s costs and the level of fees assessed to support those costs.¹²⁴

¹²⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²¹ For a discussion of the amount and type of cloud hosting services fees, *see* Section 3(a)(2)(C)(i) above.

¹²² Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²³ CAT NMS Plan Approval Order at 84801.

¹²⁴ *See* Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁵ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁶ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁷ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹²⁸

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹²⁹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³⁰ CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are

reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³¹ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³²

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³³ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁴ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁵ In general,

capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁶

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁷ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁸

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴⁰

¹²⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁶ See Section 3(a)(2)(C)(ii) above.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³¹ See Section 3(a)(2)(C)(iii) above.

¹³² *Id.*

¹³³ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁴ See Section 3(a)(2)(C)(iv) above.

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(v) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(vi) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴⁰ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that

and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴¹ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴²

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴³ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁴ As discussed above,¹⁴⁵ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁶

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT

Fees.¹⁴⁷ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁴⁸

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁴⁹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵⁰

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵¹ However,

as described above,¹⁵² CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include "the sources of all revenues to cover costs." Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵³ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁴ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to "include a reserve of not more than 25% of the annual budget."¹⁵⁵ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be

the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴¹ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴² Section 3(a)(2)(C)(vii) above.

¹⁴³ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁴ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁵ See Section 3(a)(2)(C)(viii) above.

¹⁴⁶ *Id.*

¹⁴⁷ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁴⁸ See Section 3(a)(2)(C)(ix) above.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.*

¹⁵¹ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵² See Section 3(a)(2)(C)(x) above.

¹⁵³ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

¹⁵⁴ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁵ CAT Funding Model Approval Order at 13444.

unanticipated costs or costs that are higher than expected.¹⁵⁶

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁷ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁵⁸ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁵⁹

As discussed further below,¹⁶⁰ however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶¹ As discussed above,¹⁶² this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶³

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times 5,980,937,549,360.49 executed equivalent shares.¹⁶⁴ The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁵ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁶

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁷ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁶⁸

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁶⁹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷⁰ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBSSs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan,

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ See Section 3(a)(2)(C)(xii) above.

¹⁶⁰ See Section 3(b)(2)(B) below.

¹⁶¹ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶² See Section 3(a)(2)(C)(xii) above.

¹⁶³ See Section 3(a)(2)(D) above.

¹⁶⁴ *Id.*

¹⁶⁵ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁶ See Section 3(a)(5)(A) above.

¹⁶⁷ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁶⁸ *Id.*

¹⁶⁹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷⁰ CAT Funding Model Approval Order at 13412.

which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷¹ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷² The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

¹⁷¹ 15 U.S.C. 78f(b)(8).

¹⁷² CAT Funding Model Approval Order at 13457–81.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁷³ and Rule 19b–4(f)(2)¹⁷⁴ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–PEARL–2026–20 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–PEARL–2026–20. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may

¹⁷³ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷⁴ 17 CFR 240.19b–4(f)(2).

redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–PEARL–2026–20 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁵

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026–09345 Filed 5–11–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105398; File No. SR–CboeEDGA–2026–012]

Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, Cboe EDGA Exchange, Inc. (the “Exchange” or “EDGA”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Cboe EDGA Exchange, Inc. (the “Exchange” or “EDGA”) proposes to amend its “Consolidated Audit Trail Funding Fees”³ fee schedule to establish fees for Industry Members⁴

related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission’s website (<https://www.sec.gov/rules/sro.shtml>), the Exchange’s website (https://www.cboe.com/us/equities/regulation/rule_filings/bzx/), and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ The Operating Committee

adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁸

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“CAT Fees”).⁹

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (“CAT Fees”) to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants (“Prospective CAT Costs”).”¹⁰ In establishing a CAT Fee, the Operating Committee will calculate a “Fee Rate” for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

⁸ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Release No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁹ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹⁰ Section 11.3(a) of the CAT NMS Plan.

¹⁷⁵ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ The Exchange and each of its affiliated exchanges (Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe Exchange, Inc., and Cboe EDGX Exchange, Inc.) are filing to make the same amendment to the “Consolidated Audit Trail Funding Fees” fee schedule.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Exchange Rule 4.5(u); see also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used

in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Exchange Rules 4.5–4.17.

⁵ Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁶ Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁷ Section 11.1(b) of the CAT NMS Plan.

The CAT Fees to be paid by CEBBs and CEBBs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹¹ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹² Participants would be subject to the same Fee Rate as CEBBs and CEBBs.¹³ While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹⁴ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁵ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁶

CAT LLC proposes to charge CEBBs and CEBBs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on

Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁷ The Plan further states that “[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate.”¹⁸ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBB for each applicable transaction in Eligible Securities.¹⁹ The CAT NMS Plan defines a “CAT Executing Broker” to mean: (a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the

relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²⁰

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange: Equity Order Trade (EOT)²¹

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²²

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

¹¹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹³ Section 11.3(a)(ii) of the CAT NMS Plan.

¹⁴ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁵ CAT Funding Model Approval Order at 13448.

¹⁶ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁷ Section 11.1(b) of the CAT NMS Plan.

¹⁸ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁹ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is

appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²⁰ Section 1.1 of the CAT NMS Plan. Note that CEBBs and CEBBs may, but are not required to, pass-through their CAT Fees to their clients, who may, in turn, pass their fees to their clients until

they are imposed ultimately on the account that executed the transaction. See CAT Funding Model Approval Order at 13424.

²¹ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.1.1 r1 (Apr. 14, 2025), https://www.catnmsplan.com/sites/default/files/2025-04/04.14.2025_CAT_Reporting_Technical_Specifications_for_Participants_4.1.1-r1.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²² See Table 51, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²³

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party.	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²⁴ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBBs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁵ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁶ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March

31, 2026 (“Updated 2026 CAT Budget”).²⁷

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁸

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁹ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to

cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that: [w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³⁰ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³¹ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³²

³⁰ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³¹ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³² CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations

²³ See Table 61, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁴ Section 11.3(a)(i) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁶ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁷ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁸ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁹ Section 11.3(a)(i)(C) of the CAT NMS Plan.

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following:

the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³³

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁴ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Capitalized Developed Technology Costs ^a	\$3,450,000 ^c
Technology Costs:	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁵

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses

incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁴ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: \$517,208 + \$571,010 + \$365,164 = \$1,453,382. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: \$155,403,378 – (\$41,800,153 + \$11,212,091) = \$102,391,135. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for

2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁶ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁷ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for informational purposes. In each case,

the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget Category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT Budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

³⁵ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized

technology costs. In addition, amortization is a non-cash expense.

³⁶ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁷ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT Budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by 4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by 22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by 414,451. ^d
Consulting	258,334	267,554	Increase by 9,220.
Insurance	250,938	200,652	Decrease by 50,286.
Professional and administration	190,916	149,061	Decrease by 41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by 816.
Total	27,931,483	27,344,970	Decrease by 586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs

and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁸ It is anticipated that such cloud hosting

³⁸ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁹ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴⁰ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴¹ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

³⁹ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴¹ Section 1.3 of Appendix D of the CAT NMS Plan.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴² The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴³

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁴

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a

Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁶ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁷ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program

management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT NMS Plan in connection with the operation and maintenance of the CAT;
- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs

⁴² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴³ This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

⁴⁴ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

⁴⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period will be approximately \$19,691,953.⁴⁸ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁹

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵⁰ Accordingly, CAT LLC believes that the process for

estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original 2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵¹ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵²

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program

management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵³

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT’s services related to the Reference Database on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁴ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁵

CAT LLC calculated the budget for FCAT’s services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two

⁴⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁹ This calculation is $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853 + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁵⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵¹ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁵² See CAIS Amendment and Cost Savings Amendment.

⁵³ See Section 9 of Appendix D of the CAT NMS Plan.

⁵⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁵ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

months of 2026.⁵⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁷ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and

appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (*i.e.*, capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately \$0.⁵⁸ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding

Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶⁰ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶¹ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶² The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software

⁵⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁵⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶¹ See CAIS Amendment and Cost Savings Amendment.

⁶² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶³

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁴ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are

\$8,378,964.⁶⁵ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or

proposed amendments to the CAT NMS Plan;

- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;
- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;
- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional,

⁶³ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

statutory, and common law claims;⁶⁶ (2) CAT LLC's intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC's approval of the CAT Funding Model;⁶⁷ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC's May 20, 2024 order⁶⁸ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁶⁹ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner's fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁷⁰ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷¹

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the

Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷² The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷³ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section

11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte's fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately

⁶⁶ *Davidson et al. v. Atkins et al.*, Case No. 6:24-cv-197 (W.D. Tex.).

⁶⁷ *Am. Sec. Ass'n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁸ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁶⁹ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁷⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷¹ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

\$1,025,957.⁷⁴ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁵

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁶ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is

\$1,550,000.⁷⁷ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁸ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original

2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁹ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁸⁰ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during

⁷⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁵ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁸⁰ Section 9.2 of the CAT NMS Plan.

the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;
- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected

incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸¹ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸² The decrease of \$41,855 was due to a lower than expected

professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸³ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to

⁸¹ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁸² See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁸³ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸⁴

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁵ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁶ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the

actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁷ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁸ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(x) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth

in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁹

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this

⁸⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁹ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹⁰

(b) Changes from Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume

of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹¹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹²

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹³

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁴

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all

transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁵ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁶

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁷ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB’s or CEBS’s fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁹⁸ Proposed paragraph (a)(6)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

⁹⁵ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (i.e., by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁶ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁷ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁸ See proposed paragraph (a)(6)(B) of the fee schedule.

⁹⁰ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹¹ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹² CAT Funding Model Approval Order at 13452.

⁹³ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁴ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange’s fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that:

Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB’s CAT Fee or CEBS’s CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1

shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee.”¹⁰⁰ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰¹ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(6)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

¹⁰⁰ CAT Funding Model Approval Order at 13445, n.677.

¹⁰¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

Proposed paragraph (a)(6)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(6)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

⁹⁹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰² The Plan Processor has established a billing system for CAT fees.¹⁰³ Accordingly, CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁴

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that: Details regarding the calculation of a Participant or CAT Executing Broker’s CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁵

Such information would provide CEBBs and CEBSSs with the ability to understand the details regarding the calculation of their CAT Fee.¹⁰⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

¹⁰⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

¹⁰⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 62667.

¹⁰⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁸ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁹ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹¹⁰

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹¹ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹² On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹³ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1

¹⁰⁸ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁹ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹¹⁰ See Securities Exchange Act Release No. 100835 (August 27, 2024), 89 FR 71676 (September 3, 2024) (SR–CboeEDGA–2024–033).

¹¹¹ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹² CAT Funding Model Approval Order at 13448.

¹¹³ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁰² Section 11.4 of the CAT NMS Plan.

¹⁰³ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰⁴ Section 11.4 of the CAT NMS Plan.

applicable to CEBBs and CEBs as described in proposed paragraph (a)(6)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the "Payment Date"). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹⁴ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁵ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁶ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its

members and persons associated with its members," with the provisions of the Exchange Act.¹¹⁷ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."¹¹⁸ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model,

finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."¹¹⁹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²⁰ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the

¹¹⁴ 15 U.S.C. 78f(b)(6).

¹¹⁵ 15 U.S.C. 78f(b)(4).

¹¹⁶ 15 U.S.C. 78f(b)(8).

¹¹⁷ See 15 U.S.C. 78f(b)(1).

¹¹⁸ CAT NMS Plan Approval Order at 84697.

¹¹⁹ *Id.*

¹²⁰ CAT Funding Model Approval Order at 13481.

Exchange Act.¹²¹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s

length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²² CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²³ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records

per day¹²⁴ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁵ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT’s costs and the level of fees assessed to support those costs.¹²⁶

¹²⁴ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁵ CAT NMS Plan Approval Order at 84801.

¹²⁶ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²² Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

¹²³ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²¹ *Id.*

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁷ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁸ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁹ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁰

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³¹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³² CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are

reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³³ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³⁴

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁵ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁶ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁷ In general,

capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁸

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴⁰

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴¹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

¹²⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁸ See Section 3(a)(2)(C)(ii) above.

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³³ See Section 3(a)(2)(C)(iii) above.

¹³⁴ *Id.*

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(iv) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(v) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹⁴⁰ See Section 3(a)(2)(C)(vi) above.

¹⁴¹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

Because there are no CAT employees¹⁴² and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴³ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴⁴

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁵ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁶ As discussed above,¹⁴⁷ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁸

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate

to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁹ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁵⁰

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵²

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations

costs as a part of CAT Fees.¹⁵³ However, as described above,¹⁵⁴ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include "the sources of all revenues to cover costs." Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵⁵ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(x) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁶ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to "include a reserve of not more than 25% of the annual budget."¹⁵⁷ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is reasonable to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to

¹⁴² As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴³ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁴ Section 3(a)(2)(C)(vii) above.

¹⁴⁵ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁶ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁷ See Section 3(a)(2)(C)(viii) above.

¹⁴⁸ *Id.*

¹⁴⁹ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁵⁰ See Section 3(a)(2)(C)(ix) above.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵⁴ See Section 3(a)(2)(C)(x) above.

¹⁵⁵ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

¹⁵⁶ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁷ CAT Funding Model Approval Order at 13444.

cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁸

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁹ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶⁰ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁶¹

As discussed further below,¹⁶² however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶³ As discussed above,¹⁶⁴ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁵

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times 5,980,937,549,360.49 executed equivalent shares.¹⁶⁶ The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁷ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁸

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁹ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁷⁰

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷¹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷² Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan,

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ See Section 3(a)(2)(C)(xii) above.

¹⁶² See Section 3(b)(2)(B) below.

¹⁶³ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁴ See Section 3(a)(2)(C)(xii) above.

¹⁶⁵ See Section 3(a)(2)(D) above.

¹⁶⁶ *Id.*

¹⁶⁷ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁸ See Section 3(a)(5)(A) above.

¹⁶⁹ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁷⁰ *Id.*

¹⁷¹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷² CAT Funding Model Approval Order at 13412.

which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷³ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁴ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

¹⁷³ 15 U.S.C. 78f(b)(8).

¹⁷⁴ CAT Funding Model Approval Order at 13457–81.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷⁵ and paragraph (f) of Rule 19b–4¹⁷⁶ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–CboeEDGA–2026–012 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–CboeEDGA–2026–012. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may

¹⁷⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁷⁶ 17 CFR 240.19b–4(f).

redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–CboeEDGA–2026–012 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁷

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026–09351 Filed 5–11–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105393; File No. SR–PEARL–2026–21]

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the MIAX Pearl Equities Fee Schedule To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, MIAX PEARL, LLC (“MIAX Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the fee schedule (the “Fee Schedule”) applicable to MIAX Pearl Equities, an equities trading facility of the Exchange, to establish fees for Industry Members³

related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or the “Company”) and referred to as CAT Fee 2026–1, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for CAT Fee 2026–1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. As described further below, CAT Fee 2026–1 is anticipated to be in place for eight months, and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-equities/pearl-equities/rule-filings> and at MIAX Pearl’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities

capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See MIAX Rule 1701.

across all markets, from the time of order inception through routing, cancellation, modification or execution.⁴ On November 15, 2016, the Commission approved the CAT NMS Plan.⁵ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁶ The Operating Committee adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁷

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“CAT Fees”).⁸

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (“CAT Fees”) to be payable by Participants and Industry

⁴ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁵ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁶ Section 11.1(b) of the CAT NMS Plan.

⁷ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁸ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹⁷⁷ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Miami International Securities Exchange LLC (“MIAX Rule”) Rule 1701(u). The Exchange notes that MIAX Chapter XVII is incorporated by reference into the Exchange’s rulebook. As such, MIAX Chapter XVII also applies to the Exchange. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified,

Members with regard to CAT costs not previously paid by the Participants ('Prospective CAT Costs')."⁹ In establishing a CAT Fee, the Operating Committee will calculate a "Fee Rate" for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹⁰ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹¹ Participants would be subject to the same Fee Rate as CEBBs and CEBSs.¹² While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹³ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁴ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁵

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁶ The Plan further states that "[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate." ¹⁷ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.¹⁸ The CAT NMS Plan defines a "CAT Executing Broker" to mean: (a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member

responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.¹⁹

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²⁰

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	C

⁹ Section 11.3(a) of the CAT NMS Plan.

¹⁰ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹¹ Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii) of the CAT NMS Plan.

¹³ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁴ CAT Funding Model Approval Order at 13448.

¹⁵ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁶ Section 11.1(b) of the CAT NMS Plan.

¹⁷ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁸ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In

reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

¹⁹ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

²⁰ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf ("CAT Reporting Technical Specifications for Plan Participants").

OPTION TRADE (EOT)²¹

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²²

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²³ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁴ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all

transactions in Eligible Securities for the remainder of the year.”²⁵ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁶

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁷

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the

CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁸ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that:

[w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026

²¹ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²² See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ Section 11.3(a)(i) of the CAT NMS Plan.

²⁴ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁶ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁷ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁸ Section 11.3(a)(i)(C) of the CAT NMS Plan.

CAT Budget”) on December 11, 2025.²⁹ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³⁰ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³¹

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be

responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5)

professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³²

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³³ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (<i>i.e.</i> , costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁴

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$18,700,000$) + \$18,700,000 + \$18,700,000 = \$49,866,667.

²⁹ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³⁰ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³¹ CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such

budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³² Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³³ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

³⁴ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserve Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserve Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for

2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁵ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁶ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for

informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a .	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services.	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration.	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs^c.	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

³⁵ The May Updated 2025 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2025-05/>

[05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf](https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf)).

³⁶ The November Updated 2025 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2025-11/>

[12.22.25_CAT-LLC-2025-Financial_and_Operating-Budget.pdf](https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Financial_and_Operating-Budget.pdf)).

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by 4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by 22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by 414,451. ^d
Consulting	258,334	267,554	Increase by 9,220.
Insurance	250,938	200,652	Decrease by 50,286.
Professional and administration	190,916	149,061	Decrease by 41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by 816.
Total	27,931,483	27,344,970	Decrease by 586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s

subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account

Information System, or “CAIS”).³⁷ It is anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁸ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set

³⁷ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁸ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁹ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴⁰ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴¹ The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴²

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴³

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in

the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁴ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁵ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁶ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT NMS Plan in connection with the operation and maintenance of the CAT;
- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;

³⁹ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴² This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

⁴³ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁵ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

⁴⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administer the CAT website and all of its content;

- Maintain cyber security insurance related to the CAT;

- Assist with billing, collection and other CAT fee-related activity; and

- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period will be approximately \$19,691,953.⁴⁷ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁸

As discussed above, CAT LLC estimated the budget for the operating

fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁴⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original 2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵⁰ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵¹

⁴⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁵¹ See CAIS Amendment and Cost Savings Amendment.

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵²

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT’s services related to the Reference Database on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵³ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating

⁵² See Section 9 of Appendix D of the CAT NMS Plan.

⁵³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁸ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁴

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁶ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (*i.e.*, capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately \$0.⁵⁷ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated

the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁸ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁵⁹ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include

⁵⁴ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 = \$14,179,060$.

⁵⁵ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁶ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁸ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶⁰ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶¹ The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶²

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶³ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

⁶⁰ See CAIS Amendment and Cost Savings Amendment.

⁶¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶² This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶³ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁴ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to

⁶⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;
- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;
- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal

fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC's defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁵ (2) CAT LLC's intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC's approval of the CAT Funding Model;⁶⁶ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC's May 20, 2024 order⁶⁷ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁶⁸ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner's fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately

\$5,670,452.⁶⁹ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁰

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷¹ The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are

\$8,939,184.⁷² Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte's fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating

⁶⁵ *Davidson et al. v. Atkins et al.*, Case No. 6:24-cv-197 (W.D. Tex.).

⁶⁶ *Am. Sec. Ass'n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁷ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁶⁸ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁶⁹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁰ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷³ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁴

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁵ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted

consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁶ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁷ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for

the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁸ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent

⁷³ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁴ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁵ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁷⁶ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

public accounting firm, and made publicly available.⁷⁹ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin (“Anchin”) and Grant Thornton LLP (“Grant Thornton”) for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm’s relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;

- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm’s relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC’s financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸⁰ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past

professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸¹ The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸² Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional

⁸¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁹ Section 9.2 of the CAT NMS Plan.

⁸⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸³

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁴ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the

sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁵ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁶ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT

Budget is \$2,806,325.⁸⁷ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁸

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the

⁸³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁸ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1.

Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁸⁹

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026

CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹⁰ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹¹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (*e.g.*, the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent

share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹²

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹³

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁴ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁵

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁶ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB’s

⁹² This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁴ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁵ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁶ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁸⁹ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹⁰ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹¹ CAT Funding Model Approval Order at 13452.

or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁹⁷ Proposed paragraph (a)(vi)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange’s fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that:

Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB’s CAT Fee or CEBS’s CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁸

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(vi) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(vi) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for

CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee.”⁹⁹ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰⁰ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(vi)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly

invoice for CAT Fee 2026–1.

Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(vi)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(vi)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(vi)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(vi)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–

⁹⁹ CAT Funding Model Approval Order at 13445, n.677.

¹⁰⁰ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁷ See proposed paragraph (a)(vi)(B) of the fee schedule.

⁹⁸ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(vi)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰¹ The Plan Processor has established a billing system for CAT fees.¹⁰² Accordingly, CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰³

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that: Details regarding the calculation of a Participant or CAT Executing Broker's CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker's executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁴

Such information would provide CEBBs and CEBs with the ability to understand the details regarding the calculation of their CAT Fee.¹⁰⁵ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side

transactions.”¹⁰⁶ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁷ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁸ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹⁰⁹

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹⁰ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the

¹⁰⁶ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁷ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁸ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹⁰⁹ See Securities Exchange Act Rel. No. 100873 (August 29, 2024), 89 FR 72600 (September 5, 2024) (SR-PEARL-2024-35) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From July 16, 2024 Through December 31, 2024).

¹¹⁰ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁰¹ Section 11.4 of the CAT NMS Plan.

¹⁰² The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰³ Section 11.4 of the CAT NMS Plan.

¹⁰⁴ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

¹⁰⁵ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

CAT NMS Plan.¹¹¹ On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹² each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(vi)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹³ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and

practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁴ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act, which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁵ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁶ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs

and CEBSSs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the

¹¹¹ CAT Funding Model Approval Order at 13448.

¹¹² See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹³ 15 U.S.C. 78f(b)(6).

¹¹⁴ 15 U.S.C. 78f(b)(4).

¹¹⁵ See 15 U.S.C. 78f(b)(1).

¹¹⁶ CAT NMS Plan Approval Order at 84697.

Act.”¹¹⁷ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹¹⁸ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹¹⁹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs,

(2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²⁰ CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar

services.¹²¹ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²² and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²³ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud

¹²¹ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²² Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²³ CAT NMS Plan Approval Order at 84801.

¹¹⁷ *Id.*

¹¹⁸ CAT Funding Model Approval Order at 13481.

¹¹⁹ *Id.*

¹²⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁴

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁵ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁶ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors,

including the breadth of services provided and market rates for similar types of activity.¹²⁷ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹²⁸

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹²⁹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³⁰ CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³¹ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³²

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³³ CAT LLC determined that the budgeted costs related to change request

fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁴ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁵ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁶

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁷ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such

¹²⁴ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁶ See Section 3(a)(2)(C)(ii) above.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³¹ See Section 3(a)(2)(C)(iii) above.

¹³² *Id.*

¹³³ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁴ See Section 3(a)(2)(C)(iv) above.

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(v) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁸

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴⁰ and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴¹ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴²

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴³ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is

common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁴ As discussed above,¹⁴⁵ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁶

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁷ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁴⁸

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁴⁹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵⁰

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵¹ However, as described above,¹⁵² CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include "the sources of all revenues to cover costs." Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵³ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁴ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore,

¹³⁸ See Section 3(a)(2)(C)(vi) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴⁰ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴¹ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴² Section 3(a)(2)(C)(vii) above.

¹⁴³ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁴ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁵ See Section 3(a)(2)(C)(viii) above.

¹⁴⁶ *Id.*

¹⁴⁷ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁴⁸ See Section 3(a)(2)(C)(ix) above.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.*

¹⁵¹ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵² See Section 3(a)(2)(C)(x) above.

¹⁵³ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

¹⁵⁴ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁵ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁶

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁷ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁵⁸ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁵⁹

As discussed further below,¹⁶⁰ however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶¹ As discussed above,¹⁶² this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶³

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times 5,980,937,549,360.49 executed equivalent shares.¹⁶⁴ The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁵ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁶

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁷ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁶⁸

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁶⁹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently

¹⁵⁵ CAT Funding Model Approval Order at 13444.

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ See Section 3(a)(2)(C)(xii) above.

¹⁶⁰ See Section 3(b)(2)(B) below.

¹⁶¹ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶² See Section 3(a)(2)(C)(xii) above.

¹⁶³ See Section 3(a)(2)(D) above.

¹⁶⁴ *Id.*

¹⁶⁵ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁶ See Section 3(a)(5)(A) above.

¹⁶⁷ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁶⁸ *Id.*

¹⁶⁹ See Section 11.3(a) of the CAT NMS Plan.

demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷⁰ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee

2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷¹ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷² The SEC also analyzed the

potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁷³ and Rule 19b–4(f)(2)¹⁷⁴ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

¹⁷¹ 15 U.S.C. 78f(b)(8).

¹⁷² CAT Funding Model Approval Order at 13457–81.

¹⁷³ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷⁴ 17 CFR 240.19b–4(f)(2).

¹⁷⁰ CAT Funding Model Approval Order at 13412.

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-PEARL-2026-21 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-PEARL-2026-21. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-PEARL-2026-21 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁵

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026-09346 Filed 5-11-26; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105397; File No. SR-CboeEDGX-2026-029]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

(“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 24, 2026, Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) proposes to amend its “Consolidated Audit Trail Funding Fees”³ fee schedule to establish fees for Industry Members⁴ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (<https://www.sec.gov/rules/sro.shtml>), the Exchange's website (https://www.cboe.com/us/equities/regulation/rule_filings/bzx/), and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange and each of its affiliated exchanges (Cboe BYX Exchange, Inc., Cboe BZX Exchange, Cboe C2 Exchange Inc., Cboe Exchange, Inc., and Cboe EDGA Exchange, Inc.) are filing to make the same amendment to the “Consolidated Audit Trail Funding Fees” fee schedule.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Exchange Rule 4.5(u); see also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Exchange Rules 4.5–4.17.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ The Operating Committee adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁸

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“CAT Fees”).⁹

⁵ Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁶ Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Release No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁹ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026-1 related to reasonably budgeted CAT costs

¹⁷⁵ 17 CFR 200.30-3(a)(12).

Under the CAT Funding Model, Participants, CEBBs and CEBSSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (‘CAT Fees’) to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants (‘Prospective CAT Costs’).”¹⁰ In establishing a CAT Fee, the Operating Committee will calculate a “Fee Rate” for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹¹ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹² Participants would be subject to the same Fee Rate as CEBBs and CEBSSs.¹³ While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹⁴ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in

accordance with the requirements of the CAT NMS Plan.¹⁵ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁶

CAT LLC proposes to charge CEBBs and CEBSSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁷ The Plan further states that “[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate.”¹⁸ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.¹⁹ The CAT NMS Plan defines a “CAT Executing Broker” to mean: (a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²⁰

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²¹

No.	Field name	Data type	Description	Include key
12.n.8/ 13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	C

for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹⁰ Section 11.3(a) of the CAT NMS Plan.

¹¹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹³ Section 11.3(a)(ii) of the CAT NMS Plan.

¹⁴ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁵ CAT Funding Model Approval Order at 13448.

¹⁶ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁷ Section 11.1(b) of the CAT NMS Plan.

¹⁸ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁹ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each

transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²⁰ Section 1.1 of the CAT NMS Plan. Note that CEBBs and CEBSSs may, but are not required to, pass-through their CAT Fees to their clients, who may, in turn, pass their fees to their clients until they are imposed ultimately on the account that executed the transaction. See CAT Funding Model Approval Order at 13424.

OPTION TRADE (OT)²²

No.	Field name	Data type	Description	Include key
16.n.13/ 17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²³

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²⁴ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁵ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year

by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁶ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁷

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁸

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be

comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁹ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that:

[w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably

²¹ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.1.1 r1 (Apr. 14, 2025), https://www.catnmsplan.com/sites/default/files/2025-04/04.14.2025_CAT_Reporting_Technical_Specifications_for_Participants_4.1.1-r1.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²² See Table 51, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ See Table 61, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁴ Section 11.3(a)(i) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁶ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁷ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁸ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁹ Section 11.3(a)(i)(C) of the CAT NMS Plan.

determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³⁰ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³¹ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were

prepared on the accrual basis of accounting.³²

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized

developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³³

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁴ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (<i>i.e.</i> , Costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁵

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$18,700,000$) + \$18,700,000 + \$18,700,000 = \$49,866,667.

³⁰ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³¹ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary

from month to month in Q2, the specific budgeted amounts for May and June are noted.

³² CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the

accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁴ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for

2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁶ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁷ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for

informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

³⁵ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized

technology costs. In addition, amortization is a non-cash expense.

³⁶ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁷ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf).

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the Original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by 4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by 22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by 414,451. ^d
Consulting	258,334	267,554	Increase by 9,220.
Insurance	250,938	200,652	Decrease by 50,286.
Professional and administration	190,916	149,061	Decrease by 41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by 816.
Total	27,931,483	27,344,970	Decrease by 586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s

subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account

Information System, or “CAIS”).³⁸ It is anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁹ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set

³⁸ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁹ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴⁰ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴¹ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴² The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴³

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁴

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in

the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁶ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁷ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT NMS Plan in connection with the operation and maintenance of the CAT;
- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴¹ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴³ This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

⁴⁴ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

⁴⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period will be approximately \$19,691,953.⁴⁸ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁹

As discussed above, CAT LLC estimated the budget for the operating

fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵⁰ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original 2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵¹ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵²

⁵⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵¹ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁵² See CAIS Amendment and Cost Savings Amendment.

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵³

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT’s services related to the Reference Database on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁴ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating

⁵³ See Section 9 of Appendix D of the CAT NMS Plan.

⁵⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁹ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁵

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁷ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (*i.e.*, capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately \$0.⁵⁸ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated

the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶⁰ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include

⁵⁵ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 = \$14,179,060$.

⁵⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵⁸ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁶⁰ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶¹ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶² The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶³

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁴ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

⁶¹ See CAIS Amendment and Cost Savings Amendment.

⁶² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶³ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁵ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to

⁶⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;
- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;
- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal

fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC's defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁶ (2) CAT LLC's intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC's approval of the CAT Funding Model;⁶⁷ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC's May 20, 2024 order⁶⁸ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁶⁹ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner's fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately

\$5,670,452.⁷⁰ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷¹

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷² The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are

\$8,939,184.⁷³ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP ("Deloitte") as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte's fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating

⁶⁶ *Davidson et al. v. Atkins et al.*, Case No. 6:24-cv-197 (W.D. Tex.).

⁶⁷ *Am. Sec. Ass'n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁸ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁶⁹ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁷⁰ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷¹ This calculation is $(2/3 \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷² See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁷³ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷⁴ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁵

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁶ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted

consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁷ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁸ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for

the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁹ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent

⁷⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁵ This calculation is $(2/3 \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

public accounting firm, and made publicly available.⁸⁰ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin (“Anchin”) and Grant Thornton LLP (“Grant Thornton”) for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm’s relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;

- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm’s relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC’s financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸¹ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past

professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸² The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸³ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional

⁸² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁰ Section 9.2 of the CAT NMS Plan.

⁸¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸⁴

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁵ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the

sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁶ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁷ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT

Budget is \$2,806,325.⁸⁸ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(x) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁹

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the

⁸⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁹ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1.

Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹⁰

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026

CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹¹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹²

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (*e.g.*, the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent

share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹³

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁴

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁵ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁶

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁷ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB’s

⁹³ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁴ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁵ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁶ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁷ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁰ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹¹ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹² CAT Funding Model Approval Order at 13452.

or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁹⁸ Proposed paragraph (a)(6)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange's fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that:

Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB's CAT Fee or CEBS's CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for

CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee.”¹⁰⁰ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰¹ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of the fee schedule would describe when CAT Executing Brokers

would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(6)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(6)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(6)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–

⁹⁸ See proposed paragraph (a)(6)(B) of the fee schedule.

⁹⁹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹⁰⁰ CAT Funding Model Approval Order at 13445, n.677.

¹⁰¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰² The Plan Processor has established a billing system for CAT fees.¹⁰³ Accordingly, CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure to Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁴

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that: Details regarding the calculation of a Participant or CAT Executing Broker's CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker's executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁵

Such information would provide CEBBs and CEBSS with the ability to understand the details regarding the calculation of their CAT Fee.¹⁰⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side

transactions.”¹⁰⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁸ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁹ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹¹⁰

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹¹ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹² On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the

¹⁰⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁸ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁹ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹¹⁰ See Securities Exchange Act Release No. 100836 (August 27, 2024), 89 FR 71601 (September 3, 2024) (SR-ChoeEDGX–2024–052).

¹¹¹ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹² CAT Funding Model Approval Order at 13448.

¹⁰² Section 11.4 of the CAT NMS Plan.

¹⁰³ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰⁴ Section 11.4 of the CAT NMS Plan.

¹⁰⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

¹⁰⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 62667.

requirements of CAT NMS Plan,¹¹³ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant's fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(6)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the "Payment Date"). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹⁴ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers,

issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁵ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁶ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.¹¹⁷ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."¹¹⁸ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBSSs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor

costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."¹¹⁹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²⁰ As this proposal implements the Plan and the CAT Funding Model described therein, and

¹¹³ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹⁴ 15 U.S.C. 78f(b)(6).

¹¹⁵ 15 U.S.C. 78f(b)(4).

¹¹⁶ 15 U.S.C. 78f(b)(8).

¹¹⁷ See 15 U.S.C. 78f(b)(1).

¹¹⁸ CAT NMS Plan Approval Order at 84697.

¹¹⁹ *Id.*

¹²⁰ CAT Funding Model Approval Order at 13481.

applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²¹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²² CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²³ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the

CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²⁴ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁵ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more

¹²² Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

¹²³ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²⁴ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁵ CAT NMS Plan Approval Order at 84801.

¹²¹ *Id.*

providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁶

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁷ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁸ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁹ The services to be performed by FCAT for CAT Fee 2026–

1 Period and the budgeted costs related to such services are described above.¹³⁰

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³¹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³² CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³³ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³⁴

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁵ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address

evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁶ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁷ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁸

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates

¹²⁶ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁸ See Section 3(a)(2)(C)(ii) above.

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³³ See Section 3(a)(2)(C)(iii) above.

¹³⁴ *Id.*

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(iv) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(v) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴⁰

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴¹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴² and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴³ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴⁴

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁵ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security

insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include “[i]nsurance against security breaches.”¹⁴⁶ As discussed above,¹⁴⁷ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁸

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁹ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁵⁰

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with

the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵²

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵³ However, as described above,¹⁵⁴ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵⁵ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(x) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁶ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the

¹⁴⁰ See Section 3(a)(2)(C)(vi) above.

¹⁴¹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴² As stated in the filing of the proposed CAT NMS Plan, “[i]t is the intent of the Participants that the Company have no employees.” Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴³ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁴ Section 3(a)(2)(C)(vii) above.

¹⁴⁵ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁶ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁷ See Section 3(a)(2)(C)(viii) above.

¹⁴⁸ *Id.*

¹⁴⁹ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁵⁰ See Section 3(a)(2)(C)(ix) above.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵⁴ See Section 3(a)(2)(C)(x) above.

¹⁵⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁶ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁷ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is reasonable to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁸

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁹ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶⁰ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁶¹

As discussed further below,¹⁶² however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget

is reconciled to the collected fees.”¹⁶³ As discussed above,¹⁶⁴ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁵

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times 5,980,937,549,360.49 executed equivalent shares.¹⁶⁶ The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per

executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁷ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁸

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁹ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁷⁰

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷¹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷² Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related

¹⁶⁷ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁸ See Section 3(a)(5)(A) above.

¹⁶⁹ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁷⁰ *Id.*

¹⁷¹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷² CAT Funding Model Approval Order at 13412.

¹⁵⁷ CAT Funding Model Approval Order at 13444.

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ See Section 3(a)(2)(C)(xii) above.

¹⁶² See Section 3(b)(2)(B) below.

¹⁶³ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁴ See Section 3(a)(2)(C)(xii) above.

¹⁶⁵ See Section 3(a)(2)(D) above.

¹⁶⁶ *Id.*

to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not

impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷³ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁴ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT

Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷⁵ and paragraph (f) of Rule 19b–4¹⁷⁶ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CboeEDGX–2026–029 on the subject line.

¹⁷³ 15 U.S.C. 78f(b)(8).

¹⁷⁴ CAT Funding Model Approval Order at 13457–81.

¹⁷⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁷⁶ 17 CFR 240.19b–4(f).

Paper Comments

• Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090. All submissions should refer to file number SR–CboeEDGX–2026–029. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–CboeEDGX–2026–029 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁷

Stephanie J. Fouse,

Assistant Secretary.

[FR Doc. 2026–09350 Filed 5–11–26; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105391; File No. SR–MIAX–2026–17]

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule To Establish Fees for Industry Members Related To Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, Miami International Securities Exchange, LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in

Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend the MIAX Options Exchange Fee Schedule (the “Fee Schedule”) to establish fees for Industry Members³ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or the “Company”) and referred to as CAT Fee 2026–1, and would be described in a section of the Exchange's fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for CAT Fee 2026–1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. As described further below, CAT Fee 2026–1 is anticipated to be in place for eight months, and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026.

The text of the proposed rule change is available on the Exchange's website at <https://www.miaxglobal.com/markets/us-options/all-options-exchanges/rule-filings> and at MIAX's principal office.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set

forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁴ On November 15, 2016, the Commission approved the CAT NMS Plan.⁵ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁶ The Operating Committee adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁷

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to

⁴ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁵ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁶ Section 11.1(b) of the CAT NMS Plan.

⁷ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁷⁷ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Exchange Rule 1701(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Exchange Rule 1701.

fund prospective CAT costs (“CAT Fees”).⁸

Under the CAT Funding Model, Participants, CEBBs and CEBSSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (“CAT Fees”) to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants (“Prospective CAT Costs”).”⁹ In establishing a CAT Fee, the Operating Committee will calculate a “Fee Rate” for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBSS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBSS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹⁰ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹¹ Participants would be subject to the same Fee Rate as CEBBs and CEBSSs.¹² While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹³ CAT fees charged to Participants are implemented via an approval of the

CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁴ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁵

CAT LLC proposes to charge CEBBs and CEBSSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁶ The Plan further states that “[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate.”¹⁷ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBSS for each applicable transaction in Eligible Securities.¹⁸ The CAT NMS Plan defines a “CAT Executing Broker” to mean: (a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.¹⁹

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²⁰

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction.	C

⁸ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

⁹ Section 11.3(a) of the CAT NMS Plan.

¹⁰ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹¹ Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii) of the CAT NMS Plan.

¹³ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁴ CAT Funding Model Approval Order at 13448.

¹⁵ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁶ Section 11.1(b) of the CAT NMS Plan.

¹⁷ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁸ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges

and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

¹⁹ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

²⁰ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

EQUITY ORDER TRADE (EOT)²⁰—Continued

No.	Field name	Data type	Description	Include key
			This must be provided if orderID is provided.	

EQUITY ORDER TRADE (EOT)²¹

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²²

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party.	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²³ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of

the CAT NMS Plan,²⁴ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁵ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁶

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed

equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁷

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁸ Section 11.1(a) of the CAT NMS Plan describes the requirement for the

Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems

²¹ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²² See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ Section 11.3(a)(i) of the CAT NMS Plan.

²⁴ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁶ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁷ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁸ Section 11.3(a)(i)(C) of the CAT NMS Plan.

appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that: [w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.²⁹ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated

costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³⁰ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³¹

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1)

technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³²

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³³ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (<i>i.e.</i> , costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (\$1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁴

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000.

²⁹ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³⁰ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary

from month to month in Q2, the specific budgeted amounts for May and June are noted.

³¹ CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the

accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³² Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³³ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserve Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserve Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for

2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁵ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁶ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for

informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget Category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

³⁴ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized

technology costs. In addition, amortization is a non-cash expense.

³⁵ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁶ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf).

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.
Total	27,931,483	27,344,970	Decrease by \$586,513

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s

subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account

Information System, or “CAIS”).³⁷ It is anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁸ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set

³⁷ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁸ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁹ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴⁰ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴¹ The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴²

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴³

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in

the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁴ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁵ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁶ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT NMS Plan in connection with the operation and maintenance of the CAT;
- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;

³⁹ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴² This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

⁴³ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁵ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

⁴⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administer the CAT website and all of its content;

- Maintain cyber security insurance related to the CAT;

- Assist with billing, collection and other CAT fee-related activity; and

- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period will be approximately \$19,691,953.⁴⁷ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁸

As discussed above, CAT LLC estimated the budget for the operating

fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁴⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original 2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵⁰ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵¹

⁴⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁵¹ See CAIS Amendment and Cost Savings Amendment.

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵²

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT’s services related to the Reference Database on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵³ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating

⁵² See Section 9 of Appendix D of the CAT NMS Plan.

⁵³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁸ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁴

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁶ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (*i.e.*, capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately \$0.⁵⁷ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated

the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁸ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁵⁹ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include

⁵⁴ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 = \$14,179,060$.

⁵⁵ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁶ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁸ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶⁰ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶¹ The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶²

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶³ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

⁶⁰ See CAIS Amendment and Cost Savings Amendment.

⁶¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶² This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶³ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁴ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to

⁶⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;
- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;
- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal

fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC's defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁵ (2) CAT LLC's intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC's approval of the CAT Funding Model;⁶⁶ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC's May 20, 2024 order⁶⁷ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁶⁸ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner's fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately

\$5,670,452.⁶⁹ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁰

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷¹ The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are

\$8,939,184.⁷² Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP ("Deloitte") as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte's fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating

⁶⁵ *Davidson et al. v. Atkins et al.*, Case No. 6:24-cv-197 (W.D. Tex.).

⁶⁶ *Am. Sec. Ass'n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁷ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁶⁸ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁶⁹ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁰ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷¹ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁷² See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷³ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁴

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁵ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted

consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁶ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁷ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for

the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁸ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent

⁷³ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁴ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁵ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁷⁶ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

public accounting firm, and made publicly available.⁷⁹ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin (“Anchin”) and Grant Thornton LLP (“Grant Thornton”) for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm’s relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;

- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm’s relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC’s financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸⁰ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past

professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸¹ The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸² Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional

⁸¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁹ Section 9.2 of the CAT NMS Plan.

⁸⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸³

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁴ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the

sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁵ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁶ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT

Budget is \$2,806,325.⁸⁷ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁸

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the

⁸³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁸ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1.

Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁸⁹

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026

CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹⁰ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹¹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (*e.g.*, the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent

share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹²

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹³

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁴ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁵

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁶ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB’s

⁹² This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁴ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁵ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁶ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁸⁹ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹⁰ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹¹ CAT Funding Model Approval Order at 13452.

or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁹⁷ Proposed paragraph (a)(vi)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange’s fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that:

Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB’s CAT Fee or CEBS’s CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁸

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(vi) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(vi) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for

CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee.”⁹⁹ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰⁰ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(vi)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly

invoice for CAT Fee 2026–1.

Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(vi)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(vi)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(vi)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(vi)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(vi)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (vi)(A), CAT Fee 2026–

⁹⁹ CAT Funding Model Approval Order at 13445, n.677.

¹⁰⁰ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁷ See proposed paragraph (a)(vi)(B) of the fee schedule.

⁹⁸ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(vi)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰¹ The Plan Processor has established a billing system for CAT fees.¹⁰² Accordingly, CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰³

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker's CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker's executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁴

Such information would provide CEBBs and CEBSS with the ability to understand the details regarding the calculation of their CAT Fee.¹⁰⁵ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side

transactions.”¹⁰⁶ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁷ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁸ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹⁰⁹

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹⁰ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the

¹⁰⁶ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁷ Section 11.3(a)(iii)(C) of the CAT NMS Plan.
¹⁰⁸ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹⁰⁹ See Securities Exchange Act Rel. No. 100827 (August 27, 2024), 89 FR 71472 (September 3, 2024) (SR-MIAX-2024-33) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From July 16, 2024 Through December 31, 2024).

¹¹⁰ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁰¹ Section 11.4 of the CAT NMS Plan.

¹⁰² The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰³ Section 11.4 of the CAT NMS Plan.

¹⁰⁴ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

¹⁰⁵ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

CAT NMS Plan.¹¹¹ On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹² each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(vi)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹³ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and

practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁴ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act, which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁵ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁶ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs

and CEBSSs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the

¹¹¹ CAT Funding Model Approval Order at 13448.

¹¹² See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹³ 15 U.S.C. 78f(b)(6).

¹¹⁴ 15 U.S.C. 78f(b)(4).

¹¹⁵ See 15 U.S.C. 78f(b)(1).

¹¹⁶ CAT NMS Plan Approval Order at 84697.

Act.”¹¹⁷ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹¹⁸ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹¹⁹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs,

(2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²⁰ CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar

services.¹²¹ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²² and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²³ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud

¹¹⁷ *Id.*

¹¹⁸ CAT Funding Model Approval Order at 13481.

¹¹⁹ *Id.*

¹²⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²¹ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²² Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²³ CAT NMS Plan Approval Order at 84801.

hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁴

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁵ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁶ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors,

including the breadth of services provided and market rates for similar types of activity.¹²⁷ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹²⁸

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹²⁹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³⁰ CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³¹ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³²

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³³ CAT LLC determined that the budgeted costs related to change request

fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁴ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁵ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁶

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁷ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such

¹²⁴ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁶ See Section 3(a)(2)(C)(ii) above.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³¹ See Section 3(a)(2)(C)(iii) above.

¹³² *Id.*

¹³³ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁴ See Section 3(a)(2)(C)(iv) above.

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(v) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁸

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴⁰ and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴¹ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴²

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴³ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is

common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁴ As discussed above,¹⁴⁵ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁶

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁷ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁴⁸

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁴⁹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵⁰

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵¹ However, as described above,¹⁵² CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include "the sources of all revenues to cover costs." Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵³ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁴ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore,

¹³⁸ See Section 3(a)(2)(C)(vi) above.

¹³⁹ Section 11.3(a)(iii)(B)(3) of the CAT NMS Plan.

¹⁴⁰ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴¹ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴² Section 3(a)(2)(C)(vii) above.

¹⁴³ Section 11.3(a)(iii)(B)(4) of the CAT NMS Plan.

¹⁴⁴ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁵ See Section 3(a)(2)(C)(viii) above.

¹⁴⁶ *Id.*

¹⁴⁷ Section 11.3(a)(iii)(B)(5) of the CAT NMS Plan.

¹⁴⁸ See Section 3(a)(2)(C)(ix) above.

¹⁴⁹ *Id.*

¹⁵⁰ *Id.*

¹⁵¹ Section 11.3(a)(iii)(B)(6) of the CAT NMS Plan.

¹⁵² See Section 3(a)(2)(C)(x) above.

¹⁵³ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

¹⁵⁴ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁵ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁶

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁷ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁵⁸ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁵⁹

As discussed further below,¹⁶⁰ however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶¹ As discussed above,¹⁶² this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶³

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times 5,980,937,549,360.49 executed equivalent shares.¹⁶⁴ The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁵ Accordingly, proposed paragraph (a)(vi)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁶

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁷ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁶⁸

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁶⁹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently

¹⁵⁵ CAT Funding Model Approval Order at 13444.

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ See Section 3(a)(2)(C)(xii) above.

¹⁶⁰ See Section 3(b)(2)(B) below.

¹⁶¹ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶² See Section 3(a)(2)(C)(xii) above.

¹⁶³ See Section 3(a)(2)(D) above.

¹⁶⁴ *Id.*

¹⁶⁵ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁶ See Section 3(a)(5)(A) above.

¹⁶⁷ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁶⁸ *Id.*

¹⁶⁹ See Section 11.3(a) of the CAT NMS Plan.

demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷⁰ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee

2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷¹ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷² The SEC also analyzed the

potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁷³ and Rule 19b–4(f)(2)¹⁷⁴ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

¹⁷¹ 15 U.S.C. 78f(b)(8).

¹⁷² CAT Funding Model Approval Order at 13457–81.

¹⁷³ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷⁴ 17 CFR 240.19b–4(f)(2).

¹⁷⁰ CAT Funding Model Approval Order at 13412.

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-MIAX-2026-17 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-MIAX-2026-17. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-MIAX-2026-17 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁵

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026-09344 Filed 5-11-26; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105396; File No. SR-IEX-2026-11]

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934

(“Act”),² and Rule 19b-4 thereunder,³ notice is hereby given that, on April 23, 2026, the Investors Exchange LLC (“IEX” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Act,⁴ the Exchange is filing with the Commission a proposed rule change to establish fees for Industry Members⁵ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or the “Company”) and referred to as CAT Fee 2026-1, and would be described in a section of the Exchange's fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for CAT Fee 2026-1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for CAT Fee 2026-1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. As described further below, CAT Fee 2026-1 is anticipated to be in place for eight months and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026.

The text of the proposed rule change is available at the Exchange's website at <https://www.iexexchange.io/resources/regulation/rule-filings> and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁶ On November 15, 2016, the Commission approved the CAT NMS Plan.⁷ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁸ The Operating Committee adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for

⁶ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁷ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁸ Section 11.1(b) of the CAT NMS Plan.

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁷⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ 15 U.S.C. 78s(b)(1).

⁵ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See IEX Rule 11.610(u); see also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See IEX Rule 11.610.

allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“CAT Fees”).¹⁰

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (‘CAT Fees’) to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants (‘Prospective CAT Costs’).”¹¹ In establishing a CAT Fee, the Operating Committee will calculate a “Fee Rate” for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹² The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted

CAT costs.¹³ Participants would be subject to the same Fee Rate as CEBBs and CEBSs.¹⁴ While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹⁵ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁶ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁷

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁸ The Plan further states that “[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate.”¹⁹ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.²⁰ The CAT NMS Plan defines a “CAT Executing Broker” to mean:

¹³ Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹⁴ Section 11.3(a)(ii) of the CAT NMS Plan.

¹⁵ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁶ CAT Funding Model Approval Order at 13448.

¹⁷ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁸ Section 11.1(b) of the CAT NMS Plan.

¹⁹ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

²⁰ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²¹

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²¹ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

¹⁰ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹¹ Section 11.3(a) of the CAT NMS Plan.

¹² Section 11.3(a)(iii)(A) of the CAT NMS Plan.

EQUITY ORDER TRADE (EOT)²²

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²³

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁴

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party ..	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²⁵ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁶ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁷ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March

31, 2026 (“Updated 2026 CAT Budget”).²⁸

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁹

²² See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²³ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁴ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ Section 11.3(a)(i) of the CAT NMS Plan.

²⁶ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁷ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁸ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁹ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”³⁰ Section 11.1(a) of the CAT NMS Plan describes the requirement for the

Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that: [w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance,

professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³¹ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³² The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³³

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³⁴

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁵ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (<i>i.e.</i> , costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783

³⁰ Section 11.3(a)(i)(C) of the CAT NMS Plan.

³¹ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³² The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For

those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³³ CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the

accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³⁴ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁵ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

BUDGETED CAT COSTS 2026–1—Continued

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(2/3 \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $((2/3 \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((2/3 \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(2/3 \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(2/3 \times \$2,145,170) + \$2,145,170 + \$2,145,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(2/3 \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(2/3 \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(2/3 \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for

2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁷ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁸ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for

informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget Category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476

³⁶ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized

technology costs. In addition, amortization is a non-cash expense.

³⁷ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁸ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf).

COMPARISON OF FULL YEAR BUDGETED COSTS—Continued

Budget Category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by 4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by 22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by 414,451. ^d
Consulting	258,334	267,554	Increase by 9,220.
Insurance	250,938	200,652	Decrease by 50,286.
Professional and administration	190,916	149,061	Decrease by 41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by 816.
Total	27,931,483	27,344,970	Decrease by 586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a

Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included 49,866,667 in technology

costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT,

Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁹ It is anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.⁴⁰ The greater the amount of CAT Data, the greater the cost of AWS

services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴¹ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴² In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately 49,866,667.⁴³ The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴⁴

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁵

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁷ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁸ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower

³⁹ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

⁴⁰ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

⁴¹ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴² Section 1.3 of Appendix D of the CAT NMS Plan.

⁴³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁴ This calculation is $(\frac{2}{3} \times 18,700,000) + 18,700,000 + 18,700,000 = 49,866,667$.

⁴⁵ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁷ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

⁴⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT NMS Plan in connection with the operation and maintenance of the CAT;
- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;

- Provide support in discussions with the Participants and the SEC and its staff;

- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period will be approximately \$19,691,953.⁴⁹ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth

quarter of 2026 included in the Updated 2026 CAT Budget.⁵⁰

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵¹ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original 2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵² The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost

⁵⁰ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁵¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁴⁹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

savings amendments to the CAT NMS Plan.⁵³

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵⁴

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁵ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget.

Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁶

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁷ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁸ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the

Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (*i.e.*, capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately \$0.⁵⁹ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for

⁵³ See CAIS Amendment and Cost Savings Amendment.

⁵⁴ See Section 9 of Appendix D of the CAT NMS Plan.

⁵⁵ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁶ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 = \$14,179,060$.

⁵⁷ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁸ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁶⁰ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶¹ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the

development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶² and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶³ The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶⁴

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁵ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs

for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁶ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services

⁶⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶¹ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶² See CAIS Amendment and Cost Savings Amendment.

⁶³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶⁴ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale's billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale's performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;
- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;
- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis

of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC's defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁷ (2) CAT LLC's intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC's approval of the CAT Funding Model;⁶⁸ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC's May 20, 2024 order⁶⁹ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁷⁰ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner's fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal

services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁷¹ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷²

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷³ The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in

⁶⁷ *Davidson et al. v. Atkins et al.*, Case No. 6:24-cv-197 (W.D. Tex.).

⁶⁸ *Am. Sec. Ass'n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁹ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁷⁰ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁷¹ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷² This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷³ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

the Updated 2026 CAT Budget are \$8,939,184.⁷⁴ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;

- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;

- Provide support for updating the SEC on the progress of the development of the CAT; and

- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷⁵ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁶

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁷ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted

consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes from Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁸ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁹ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors’ and officers’ liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC (“USI”). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for

⁷⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁶ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁸⁰ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent

public accounting firm, and made publicly available.⁸¹ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;

- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;

- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and

- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸² The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past

⁸⁰ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁸¹ Section 9.2 of the CAT NMS Plan.

⁸² See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸³ The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸⁴ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional

and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸⁵

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁶ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the

sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁷ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁸ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT

⁸³ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁸ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

Budget is \$2,806,325.⁸⁹ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁹⁰

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the

beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1.

Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹¹

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026

CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹² The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹³

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent

⁸⁹ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁹⁰ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁹¹ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹² Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹³ CAT Funding Model Approval Order at 13452.

share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹⁴

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁵

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁶ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁷

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁸ Accordingly, the fee rate to be paid by CEBBs and CEBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB's

or CEBs's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBs from the prior month.⁹⁹ Proposed paragraph (a)(6)(A) of the Consolidated Audit Trail Funding Fees section of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis." In addition, paragraph (b)(1) of the Consolidated Audit Trail Funding Fees section of the fee schedule states that each CEBB and CEBs is required to pay its CAT fees "each month."

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the "Consolidated Audit Trail Funding Fees" section of the Exchange's fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that: Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities ("CAT Executing Broker for the Buyer" or "CEBB") and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities ("CAT Executing Broker for the Seller" or "CEBS") will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB's CAT Fee or CEBs's CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.¹⁰⁰

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees

calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, "[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee."¹⁰¹ Accordingly, proposed paragraph (a)(6)(B) of the Consolidated Audit Trail Funding Fees section of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰² The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of

⁹⁴ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁵ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that "[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (i.e., by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate." CAT Funding Model Approval Order at 13435.

⁹⁷ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁸ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁹ See proposed paragraph (a)(6)(B) of the fee schedule.

¹⁰⁰ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹⁰¹ CAT Funding Model Approval Order at 13445, n.677.

¹⁰² This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of the Consolidated Audit Trail Funding Fees section of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the Consolidated Audit Trail Funding Fees section of the fee schedule.

Proposed paragraph (a)(6)(A) of the Consolidated Audit Trail Funding Fees section of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(6)(B) of the Consolidated Audit Trail Funding Fees section of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(6)(B) of the Consolidated Audit Trail Funding Fees section of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future

fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of the Consolidated Audit Trail Funding Fees section of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of the Consolidated Audit Trail Funding Fees section of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰³ The Plan Processor has established a billing system for CAT fees.¹⁰⁴ Accordingly, CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable

fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁵

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker's CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker's executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁶

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the calculation of their CAT Fee.¹⁰⁷ CAT LLC will provide CAT Executing Brokers with these details regarding the

¹⁰⁵ Section 11.4 of the CAT NMS Plan.

¹⁰⁶ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

¹⁰⁷ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

¹⁰³ Section 11.4 of the CAT NMS Plan.

¹⁰⁴ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁸ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁹ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹¹⁰ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹¹¹

¹⁰⁸ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁹ Section 11.3(a)(iii)(C) of the CAT NMS Plan. ¹¹⁰ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹¹¹ See Securities Exchange Act Rel. No. 100834 (August 27, 2024), 89 FR 71747 (September 3, 2024) (SR-IEEX-2024-14).

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹² CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹³ On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹⁴ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(6)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

¹¹² Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹³ CAT Funding Model Approval Order at 13448.

¹¹⁴ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹⁵ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁷ which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system,

¹¹⁵ 15 U.S.C. 78f(b)(5).

¹¹⁶ 15 U.S.C. 78f(b)(4).

¹¹⁷ 15 U.S.C. 78f(b)(8).

¹¹⁸ See 15 U.S.C. 78f(b)(1).

or is otherwise in furtherance of the purposes of the Act.”¹¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its

Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²² In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT

Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²³ CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use

¹¹⁹ CAT NMS Plan Approval Order at 84697.

¹²⁰ *Id.*

¹²¹ CAT Funding Model Approval Order at 13481.

¹²² *Id.*

¹²³ Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁶ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁷

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁸ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a

process of considering other potential candidates.¹²⁹ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹³⁰ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³¹

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³³ CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³⁴ The services to be performed by FCAT for the CAT Fee

¹²⁴ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²⁵ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁶ CAT NMS Plan Approval Order at 84801.

¹²⁷ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁸ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁹ See Section 3(a)(2)(C)(ii) above.

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² *Id.*

¹³³ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁴ See Section 3(a)(2)(C)(iii) above.

2026–1 Period and the budgeted costs for such services are described above.¹³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁶ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁷ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁸ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁹

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹⁴⁰ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the

unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴¹

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴² CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴³ and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴⁴ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴⁵

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁶ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁷ As discussed above,¹⁴⁸ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁹

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁵⁰ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the

¹³⁵ *Id.*

¹³⁶ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁷ See Section 3(a)(2)(C)(iv) above.

¹³⁸ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁹ See Section 3(a)(2)(C)(v) above.

¹⁴⁰ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹⁴¹ See Section 3(a)(2)(C)(vi) above.

¹⁴² Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴³ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴⁴ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁵ Section 3(a)(2)(C)(vii) above.

¹⁴⁶ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁷ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁸ See Section 3(a)(2)(C)(viii) above.

¹⁴⁹ *Id.*

¹⁵⁰ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁵¹ See Section 3(a)(2)(C)(ix) above.

financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵²

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵⁴ However, as described above,¹⁵⁵ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵⁶ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁷ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁸ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁹

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁶⁰ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶¹ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁶²

As discussed further below,¹⁶³ however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this

surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶⁴ As discussed above,¹⁶⁵ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁶

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times 5,980,937,549,360.49 executed equivalent shares.¹⁶⁷ The Operating Committee determined that such an approach was reasonable as the CAT's

¹⁵² *Id.*

¹⁵³ *Id.*

¹⁵⁴ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵⁵ See Section 3(a)(2)(C)(x) above.

¹⁵⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁷ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁸ CAT Funding Model Approval Order at 13444.

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ *Id.*

¹⁶² See Section 3(a)(2)(C)(xii) above.

¹⁶³ See Section 3(b)(2)(B) below.

¹⁶⁴ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁵ See Section 3(a)(2)(C)(xii) above.

¹⁶⁶ See Section 3(a)(2)(D) above.

¹⁶⁷ *Id.*

annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁸ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁹

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁷⁰ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁷¹

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved

the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷² In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on

affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

¹⁶⁸ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁹ See Section 3(a)(5)(A) above.

¹⁷⁰ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁷¹ *Id.*

¹⁷² See Section 11.3(a) of the CAT NMS Plan.

¹⁷³ CAT Funding Model Approval Order at 13412.

¹⁷⁴ 15 U.S.C. 78f(b)(8).

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii)¹⁷⁶ of the Act.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹⁷⁷ of the Act to determine whether the proposed rule

change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-IEX-2026-11 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-IEX-2026-11. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-IEX-2026-11 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁸

Stephanie J. Fouse,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105399; File No. SR-CboeBZX-2026-035]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 23, 2026, Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") proposes to amend its "Consolidated Audit Trail Funding Fees"³ fee schedule to establish fees for Industry Members⁴ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the "CAT NMS Plan" or "Plan") for the period from May 1, 2026 through December 31, 2026. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (<https://www.sec.gov/rules/sro.shtml>), the Exchange's website (<https://www.cboe.com/us/equities/>

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Exchange and each of its affiliated exchanges (Cboe BYX Exchange, Inc., Cboe C2 Exchange, Cboe Exchange Inc., Cboe EDGA Exchange, Inc., and Cboe EDGX Exchange, Inc.) are filing to make the same amendment to the "Consolidated Audit Trail Funding Fees" fee schedule.

⁴ An "Industry Member" is defined as "a member of a national securities exchange or a member of a national securities association." See Exchange Rule 4.5(u); see also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Exchange Rules 4.5-4.17.

¹⁷⁵ CAT Funding Model Approval Order at 13457-81.

¹⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷⁷ 15 U.S.C. 78s(b)(2)(B).

¹⁷⁸ 17 CFR 200.30-3(a)(12).

regulation/rule_filings/bzx/), and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations ("SROs") to submit a national market system ("NMS") plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ The Operating Committee adopted a revised funding model to fund the CAT ("CAT Funding Model"). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁸

The CAT Funding Model provides a framework for the recovery of the costs

to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants ("Historical CAT Assessment" fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs ("CAT Fees").⁹

Under the CAT Funding Model, Participants, CEBBs and CEBSSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. "The Operating Committee will establish fees ('CAT Fees') to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants ('Prospective CAT Costs')." ¹⁰ In establishing a CAT Fee, the Operating Committee will calculate a "Fee Rate" for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBSS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBSS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹¹ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹² Participants would be subject to the same Fee Rate as CEBBs and CEBSSs.¹³ While CAT Fees charged to Industry Members become effective in accordance with the requirements of

Section 19(b) of the Exchange Act,¹⁴ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁵ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁶

CAT LLC proposes to charge CEBBs and CEBSSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁷ The Plan further states that "[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate." ¹⁸ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBSS for each applicable transaction in Eligible Securities.¹⁹ The CAT NMS Plan defines a "CAT Executing Broker" to mean: (a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry

¹⁴ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁵ CAT Funding Model Approval Order at 13448.

¹⁶ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁷ Section 11.1(b) of the CAT NMS Plan.

¹⁸ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁹ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

⁵ Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁶ Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) ("CAT NMS Plan Approval Order").

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) ("CAT Funding Model Approval Order").

This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Release No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁹ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹⁰ Section 11.3(a) of the CAT NMS Plan.

¹¹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹³ Section 11.3(a)(ii) of the CAT NMS Plan.

Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the

Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no

contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²⁰

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²¹

No.	Field name	Data type	Description	Include key
12.n.8/ 13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²²

No.	Field name	Data type	Description	Include key
16.n.13/ 17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²³

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²⁴ Based on

this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to

commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁵ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the

²⁰ Section 1.1 of the CAT NMS Plan. Note that CEBBs and CEBSSs may, but are not required to, pass-through their CAT Fees to their clients, who may, in turn, pass their fees to their clients until they are imposed ultimately on the account that executed the transaction. See CAT Funding Model Approval Order at 13424.

²¹ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.1.1 r1 (Apr. 14, 2025), https://www.catnmsplan.com/sites/default/files/2025-04/04.14.2025_CAT_Reporting_Technical_Specifications_for_Participants_4.1.1-r1.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²² See Table 51, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ See Table 61, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁴ Section 11.3(a)(i) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

remainder of the year.”²⁶ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁷

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁸

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁹ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating

budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that:

[w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³⁰ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³¹ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were

prepared on the accrual basis of accounting.³²

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³³

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁴ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (<i>i.e.</i> , costs for May–December 2026)
Capitalized Developed Technology Costs ^a	°\$3,450,000
Technology Costs:	83,737,680

²⁶ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁷ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁸ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁹ Section 11.3(a)(i)(C) of the CAT NMS Plan.

³⁰ The Original 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/>

[sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf](https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf)).

³¹ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³² CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations

of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁴ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

BUDGETED CAT COSTS 2026–1—Continued

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁵

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853 + (\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630 = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth

in the updated annual CAT budget for 2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁶ the updated annual CAT budget for 2025 approved

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

³⁶ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁷ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which

³⁷ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁵ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

focuses on budgeted costs for the period from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs:	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by 4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by 22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by 414,451. ^d
Consulting	258,334	267,554	Increase by 9,220.
Insurance	250,938	200,652	Decrease by 50,286.
Professional and administration	190,916	149,061	Decrease by 41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by 816.
Total	27,931,483	27,344,970	Decrease by 586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁸ It is anticipated that such cloud hosting

services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁹ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴⁰ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴¹ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴² The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴³

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth

for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁴

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁶ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the

⁴⁴ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁹ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴¹ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴³ This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

³⁸ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel.

Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁷ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT

NMS Plan in connection with the operation and maintenance of the CAT;

- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period

will be approximately \$19,691,953.⁴⁸ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁹

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵⁰ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original

⁴⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁹ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁵⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵¹ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵²

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵³

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors,

including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁴ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁵

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT

Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁷ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (i.e., capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately

⁵¹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵² See CAIS Amendment and Cost Savings Amendment.

⁵³ See Section 9 of Appendix D of the CAT NMS Plan.

⁵⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁵ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

\$0.⁵⁸ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶⁰ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶¹ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶² The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶³

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed

technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁴ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁵ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee

⁵⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶¹ See CAIS Amendment and Cost Savings Amendment.

⁶² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶³ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;
- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor

Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁶ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁷ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC’s May 20, 2024 order⁶⁸ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁶⁹ Litigation involving CAT LLC is an expense of

operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner’s fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁷⁰ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷¹

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷² The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

⁶⁶ *Davidson et al. v. Atkins et al.*, Case No. 6:24–cv–197 (W.D. Tex.).

⁶⁷ *Am. Sec. Ass’n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁸ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁶⁹ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁷⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷¹ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷³ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee

2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷⁴ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁵

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for

estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁶ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁷ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁸ The insurance costs represent the costs to be

⁷⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁵ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁹ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁸⁰ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;

- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;
- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT

⁷⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁸⁰ Section 9.2 of the CAT NMS Plan.

LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸¹ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸² The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the

differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸³ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸⁴

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in

public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁵ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁶ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁷ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

⁸¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁸ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(x) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve

(which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁹

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹⁰

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following

describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹¹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹²

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was

⁸⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁹ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁹⁰ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹¹ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹² CAT Funding Model Approval Order at 13452.

5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹³

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁴

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁵ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the

CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁶

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁷ Accordingly, the fee rate to be paid by CEBBs and CEBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB’s or CEBs’s fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBs from the prior month.⁹⁸ Proposed paragraph (a)(6)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBs is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange’s fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that: Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for the Seller” or “CEBS”) will be required

to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB’s CAT Fee or CEBs’s CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant

⁹³ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁴ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁵ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁶ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁷ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁸ See proposed paragraph (a)(6)(B) of the fee schedule.

⁹⁹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

number of decimal places for the fee.”¹⁰⁰ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰¹ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(6)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(6)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(6)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set forth in CAT Data. The fee for each such

transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰² The Plan Processor has established a billing system for CAT fees.¹⁰³ Accordingly, CAT Executing Brokers would be

required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁴

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker’s CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the

¹⁰⁰ CAT Funding Model Approval Order at 13445, n.677.

¹⁰¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

¹⁰² Section 11.4 of the CAT NMS Plan.

¹⁰³ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT

Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰⁴ Section 11.4 of the CAT NMS Plan.

¹⁰⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

calculation of their CAT Fee.¹⁰⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁸ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of

2024,¹⁰⁹ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹¹⁰

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹¹ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹² On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹³ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(6)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days

after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹⁴ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁵ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁶ which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁷ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the

¹⁰⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 62667.

¹⁰⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁸ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁹ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹¹⁰ See Securities Exchange Act Release No. 100832 (August 27, 2024), 89 FR 71724 (September 3, 2024) (SR–CboeBZX–2024–076).

¹¹¹ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹² CAT Funding Model Approval Order at 13448.

¹¹³ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹⁴ 15 U.S.C. 78f(b)(6).

¹¹⁵ 15 U.S.C. 78f(b)(4).

¹¹⁶ 15 U.S.C. 78f(b)(8).

¹¹⁷ See 15 U.S.C. 78f(b)(1).

Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁸ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBBs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the

CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²⁰ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²¹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of

the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²² CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other

¹¹⁹ *Id.*

¹²⁰ CAT Funding Model Approval Order at 13481.

¹²¹ *Id.*

¹²² Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

¹¹⁸ CAT NMS Plan Approval Order at 84697.

things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²³ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²⁴ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁵ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to

reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁶

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁷ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including

compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁸ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁹ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁰

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³¹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³² CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS

¹²³ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²⁴ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁵ CAT NMS Plan Approval Order at 84801.

¹²⁶ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁸ See Section 3(a)(2)(C)(ii) above.

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³³ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³⁴

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁵ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁶ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁷ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁸

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal

fees as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴⁰

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴¹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴² and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴³ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting

services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴⁴

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁵ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁶ As discussed above,¹⁴⁷ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁸

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁹ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs

¹³³ See Section 3(a)(2)(C)(iii) above.

¹³⁴ *Id.*

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(iv) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(v) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹⁴⁰ See Section 3(a)(2)(C)(vi) above.

¹⁴¹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴² As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴³ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁴ Section 3(a)(2)(C)(vii) above.

¹⁴⁵ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁶ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁷ See Section 3(a)(2)(C)(viii) above.

¹⁴⁸ *Id.*

¹⁴⁹ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

related to such services are described above.¹⁵⁰

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵²

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵³ However, as described above,¹⁵⁴ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–

1 Period.¹⁵⁵ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(x) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁶ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁷ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is reasonable to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁸

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁹ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶⁰ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each

of these benefits to the CAT. The reserve is discussed further above.¹⁶¹

As discussed further below,¹⁶² however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶³ As discussed above,¹⁶⁴ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁵

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent

¹⁵⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁶ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁷ CAT Funding Model Approval Order at 13444.

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ See Section 3(a)(2)(C)(xii) above.

¹⁶² See Section 3(b)(2)(B) below.

¹⁶³ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁴ See Section 3(a)(2)(C)(xii) above.

¹⁶⁵ See Section 3(a)(2)(D) above.

¹⁵⁰ See Section 3(a)(2)(C)(ix) above.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵⁴ See Section 3(a)(2)(C)(x) above.

share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times

5,980,937,549,360.49 executed equivalent shares.¹⁶⁶ The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁷ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁸

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁹ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will

mitigate any potential adverse economic effects or inefficiencies.¹⁷⁰

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷¹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷² Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷³ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the

¹⁶⁶ *Id.*

¹⁶⁷ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁸ See Section 3(a)(5)(A) above.

¹⁶⁹ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁷⁰ *Id.*

¹⁷¹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷² CAT Funding Model Approval Order at 13412.

¹⁷³ 15 U.S.C. 78f(b)(8).

Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁴ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷⁵ and paragraph (f) of Rule 19b–4¹⁷⁶ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission

summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–CboeBZX–2026–035 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–CboeBZX–2026–035. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–CboeBZX–2026–035 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁷

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026–09352 Filed 5–11–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105402; File No. SR–CBOE–2026–041]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 24, 2026, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend its “Consolidated Audit Trail Funding Fees”³ fee schedule to establish fees for Industry Members⁴ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (<https://www.sec.gov/rules/sro.shtml>), the Exchange's website (<https://www.cboe.com/us/options/>

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ The Exchange and each of its affiliated exchanges (Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe EDGA Exchange, Inc., and Cboe EDGX Exchange, Inc.) are filing to make the same amendment to the “Consolidated Audit Trail Funding Fees” fee schedule.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Exchange Rule 7.20(u); see also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Chapter 7, Section B of the Exchange's Rulebook.

¹⁷⁴ CAT Funding Model Approval Order at 13457–81.

¹⁷⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁷⁶ 17 CFR 240.19b–4(f).

¹⁷⁷ 17 CFR 200.30–3(a)(12).

regulation/rule_filings/bzx/), and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations ("SROs") to submit a national market system ("NMS") plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ The Operating Committee adopted a revised funding model to fund the CAT ("CAT Funding Model"). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁸

The CAT Funding Model provides a framework for the recovery of the costs

to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants ("Historical CAT Assessment" fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs ("CAT Fees").⁹

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. "The Operating Committee will establish fees ('CAT Fees') to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants ('Prospective CAT Costs')." ¹⁰ In establishing a CAT Fee, the Operating Committee will calculate a "Fee Rate" for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹¹ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹² Participants would be subject to the same Fee Rate as CEBBs and CEBSs.¹³ While CAT Fees charged to Industry Members become effective in accordance with the requirements of

Section 19(b) of the Exchange Act,¹⁴ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁵ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁶

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁷ The Plan further states that "[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate." ¹⁸ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.¹⁹ The CAT NMS Plan defines a "CAT Executing Broker" to mean: (a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry

¹⁴ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁵ CAT Funding Model Approval Order at 13448.

¹⁶ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁷ Section 11.1(b) of the CAT NMS Plan.

¹⁸ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁹ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

⁵ Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁶ Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) ("CAT NMS Plan Approval Order").

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) ("CAT Funding Model Approval Order").

This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Release No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁹ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹⁰ Section 11.3(a) of the CAT NMS Plan.

¹¹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹³ Section 11.3(a)(ii) of the CAT NMS Plan.

Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the

Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no

contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²⁰

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²¹

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²²

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²³

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party ..	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as

discussed in detail below.²⁴ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁵ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted

²⁰ Section 1.1 of the CAT NMS Plan. Note that CEBBs and CEBSSs may, but are not required to, pass-through their CAT Fees to their clients, who may, in turn, pass their fees to their clients until they are imposed ultimately on the account that executed the transaction. See CAT Funding Model Approval Order at 13424.

²¹ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for

Plan Participants, Version 4.1.1 r1 (Apr. 14, 2025), https://www.catnmsplan.com/sites/default/files/2025-04/04.14.2025_CAT_Reporting_Technical_Specifications_for_Participants_4.1.1-r1.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²² See Table 51, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ See Table 61, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁴ Section 11.3(a)(i) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁶ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁷

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁸

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating

Committee.”²⁹ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that: [w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³⁰ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³¹ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were

prepared on the accrual basis of accounting.³²

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³³

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁴ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (<i>i.e.</i> , costs for May–December 2026)
Capitalized Developed Technology Costs ^a	¢\$3,450,000

²⁶ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁷ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁸ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁹ Section 11.3(a)(i)(C) of the CAT NMS Plan.

³⁰ The Original 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/>

[sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf](https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf)).

³¹ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³² CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations

of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁴ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

BUDGETED CAT COSTS 2026–1—Continued

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁵

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$18,700,000$) + \$18,700,000 + \$18,700,000 = \$49,866,667.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$7,191,853$) + \$7,191,853 + \$7,191,853 + ($\frac{2}{3} \times \$192,630$) + \$192,630 + \$192,630 = \$19,691,953.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$5,317,147$) + \$5,317,147 + \$5,317,147 = \$14,179,060.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$2,125,170$) + \$2,125,170 + \$2,125,170 = \$5,670,452.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$384,734$) + \$384,734 + \$384,734 = \$1,025,957.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$300,977$) + \$321,042 + \$331,074 = \$852,768.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$280,932$) + \$280,932 + \$280,932 = \$749,151.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: \$517,208 + \$571,010 + \$365,164 = \$1,453,382. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: \$155,403,378 – (\$41,800,153 + \$11,212,091) = \$102,391,135. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT

LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for 2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁶ the updated

annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁷ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for

05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁷ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁵ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

³⁶ The May Updated 2025 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2025-05/>

informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets;

this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31,

2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.
Total	27,931,483	27,344,970	Decrease by \$586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁸ It is

anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁹ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴⁰ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴¹ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴² The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴³

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth

2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁹ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴¹ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴³ This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁴

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁶ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the

⁴⁴ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

³⁸ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16,

Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁷ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT

NMS Plan in connection with the operation and maintenance of the CAT;

- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period

will be approximately \$19,691,953.⁴⁸ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁹

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵⁰ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original

⁴⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁹ This calculation is $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853 + (\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630 = \$19,691,953$.

⁵⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵¹ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵²

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵³

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors,

including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁴ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁵

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT

Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁷ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (i.e., capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately

⁵¹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵² See CAIS Amendment and Cost Savings Amendment.

⁵³ See Section 9 of Appendix D of the CAT NMS Plan.

⁵⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁵ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

\$0.⁵⁸ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶⁰ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶¹ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶² The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶³

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs

for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁴ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁵ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a

⁵⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶¹ See CAIS Amendment and Cost Savings Amendment.

⁶² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶³ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;

- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁶ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁷ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC’s May 20, 2024 order⁶⁸ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not

immediately actionable.⁶⁹ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner’s fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁷⁰ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷¹

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷² The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the

⁶⁹ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁷⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷¹ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁶ *Davidson et al. v. Atkins et al.*, Case No. 6:24–cv–197 (W.D. Tex.).

⁶⁷ *Am. Sec. Ass’n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁸ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷³ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT

LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷⁴ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁵

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as

well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁶ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁷ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for

⁷³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁵ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

the CAT Fee 2026–1 Period.⁷⁸ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁹ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget

from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁸⁰ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;

- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;
- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's

⁷⁸ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁸⁰ Section 9.2 of the CAT NMS Plan.

financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸¹ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸² The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this

filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸³ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸⁴

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing

describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁵ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁶ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁷ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly,

⁸¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁸ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(x) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the

avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁹

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹⁰

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee

filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹¹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹²

⁸⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁹ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁹⁰ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹¹ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹² CAT Funding Model Approval Order at 13452.

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹³

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁴

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁵ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in

accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁶

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁷ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB's or CEBB's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBB from the prior month.⁹⁸ Proposed paragraph (a)(6)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBB is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange's fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that: Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for

the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB's CAT Fee or CEBS's CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by

⁹³ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁴ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁵ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁶ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁷ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁸ See proposed paragraph (a)(6)(B) of the fee schedule.

⁹⁹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

one-third and describing the relevant number of decimal places for the fee.”¹⁰⁰ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰¹ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(6)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(6)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(6)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set

forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰² The Plan Processor has established a billing system for CAT fees.¹⁰³ Accordingly,

CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁴

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that: Details regarding the calculation of a Participant or CAT Executing Broker’s CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the

¹⁰⁰ CAT Funding Model Approval Order at 13445, n.677.

¹⁰¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

¹⁰² Section 11.4 of the CAT NMS Plan.

¹⁰³ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT

Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰⁴ Section 11.4 of the CAT NMS Plan.

¹⁰⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

calculation of their CAT Fee.¹⁰⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁸ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁹ the Financial Accountability

Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹¹⁰

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹¹ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹² On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹³ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(6)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise

indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹⁴ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁵ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁶ which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁷ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that

¹⁰⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 62667.

¹⁰⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁸ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁹ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹¹⁰ See Securities Exchange Act Rel. No. 100831 (August 27, 2024), 89 FR 71570 (September 3, 2024) (SR-CBOE–2024–037).

¹¹¹ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹² CAT Funding Model Approval Order at 13448.

¹¹³ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹⁴ 15 U.S.C. 78f(b)(6).

¹¹⁵ 15 U.S.C. 78f(b)(4).

¹¹⁶ 15 U.S.C. 78f(b)(8).

¹¹⁷ See 15 U.S.C. 78f(b)(1).

the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁸ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT

Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²⁰ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²¹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and

satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²² CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need

¹¹⁹ *Id.*

¹²⁰ CAT Funding Model Approval Order at 13481.

¹²¹ *Id.*

¹²² Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

¹¹⁸ CAT NMS Plan Approval Order at 84697.

for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²³ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²⁴ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁵ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture

design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁶

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁷ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT

Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁸ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁹ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁰

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³¹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³² CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar

¹²³ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²⁴ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁵ CAT NMS Plan Approval Order at 84801.

¹²⁶ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁸ See Section 3(a)(2)(C)(ii) above.

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

types of activity, are reasonable and appropriate.¹³³ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³⁴

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁵ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁶ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁷ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁸

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁹ CAT LLC

determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴⁰

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴¹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴² and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴³ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed

by Deloitte and the budgeted costs related to such services are described above.¹⁴⁴

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁵ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁶ As discussed above,¹⁴⁷ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁸

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁹ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁵⁰

¹³³ See Section 3(a)(2)(C)(iii) above.

¹³⁴ *Id.*

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(iv) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(v) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹⁴⁰ See Section 3(a)(2)(C)(vi) above.

¹⁴¹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴² As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴³ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁴ Section 3(a)(2)(C)(vii) above.

¹⁴⁵ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁶ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁷ See Section 3(a)(2)(C)(viii) above.

¹⁴⁸ *Id.*

¹⁴⁹ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁵⁰ See Section 3(a)(2)(C)(ix) above.

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵²

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵³ However, as described above,¹⁵⁴ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵⁵ CAT LLC determined that using interest income to reduce the

amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(x) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁶ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁷ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is reasonable to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁸

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁹ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶⁰ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁶¹

As discussed further below,¹⁶² however, a surplus reserve balance in

excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶³ As discussed above,¹⁶⁴ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁵

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times

¹⁶³ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁴ See Section 3(a)(2)(C)(xii) above.

¹⁶⁵ See Section 3(a)(2)(D) above.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ Section 11.3(a)(iii)(B)(6) of the CAT NMS Plan.

¹⁵⁴ See Section 3(a)(2)(C)(x) above.

¹⁵⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁶ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁷ CAT Funding Model Approval Order at 13444.

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ See Section 3(a)(2)(C)(xii) above.

¹⁶² See Section 3(b)(2)(B) below.

5,980,937,549,360.49 executed equivalent shares.¹⁶⁶ The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁷ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁸

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁹ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁷⁰

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷¹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷² Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved

the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷³ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to

¹⁶⁶ *Id.*

¹⁶⁷ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁸ See Section 3(a)(5)(A) above.

¹⁶⁹ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁷⁰ *Id.*

¹⁷¹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷² CAT Funding Model Approval Order at 13412.

¹⁷³ 15 U.S.C. 78f(b)(8).

introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁴ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷⁵ and paragraph (f) of Rule 19b–4¹⁷⁶ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors,

or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–CBOE–2026–041 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–CBOE–2026–041. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–CBOE–2026–041 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁷

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026–09355 Filed 5–11–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105414; File No. SR–DTC–2026–006]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Align the Notice Period for Missed Transfer Adjustments in the Distributions Service Guide

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b–4 thereunder,² notice is hereby given that on May 6, 2026, The Depository Trust Company (“DTC”)³ filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. DTC filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁴ and Rule 19b–4(f)(4) thereunder.⁵ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change consists of amendments to the Distributions Service Guide⁶ to (i) align the notice period for missed transfer adjustments with the notice periods for other adjustments resulting from changes to rates, record dates or payable dates, and (ii) relocate the guidance regarding missed transfer adjustments to a different section in the Distributions Service Guide so that it appears alongside other adjustment-related provisions.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ Capitalized terms not defined herein shall have the meaning assigned to such terms in the Rules, By-Laws and Organization Certificate of DTC (“DTC Rules”), available at www.dtcc.com/-/media/Files/Downloads/legal/rules/dtc_rules.pdf.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b–4(f)(4).

⁶ Available at www.dtcc.com/-/media/Files/Downloads/legal/service-guides/Service-Guide-Distributions.pdf. The Distributions Service Guide is a Procedure of DTC. Pursuant to the DTC Rules, the term “Procedures” means the Procedures, service guides, and regulations of DTC adopted pursuant to Rule 27 (Procedures), as amended from time to time. Rule 1 (Definitions; Governing Law), Section 1, *supra* note 3. DTC's Procedures are filed with the Commission. They are binding on DTC and each Participant in the same manner as they are bound by the DTC Rules. Rule 27, *supra* note 3.

¹⁷⁴ CAT Funding Model Approval Order at 13457–81.

¹⁷⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁷⁶ 17 CFR 240.19b–4(f).

¹⁷⁷ 17 CFR 200.30–3(a)(12).

II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

DTC proposes to amend the Distributions Service Guide to (i) align the notice period for missed transfer adjustments with the notice periods for other adjustments resulting from changes to rates, record dates or payable dates, and (ii) relocate the guidance regarding missed transfer adjustments to a different section in the Distributions Service Guide so that it appears alongside other adjustment-related provisions.

Background

In order for DTC to clear, settle and, in general, service securities it holds on behalf of its Participants, ownership of the securities must be in the name of DTC's nominee, Cede & Co. Therefore, when DTC receives DTC-eligible securities for deposit at DTC from a Participant, it forwards them to the issuer's transfer agent to request ownership be transferred from the current owner to Cede & Co. At times, these requests are made on or near the record date of a corporate action event for the issuance, with the expectation that the ownership transfer is completed by the record date.

In such instances, DTC proactively monitors whether ownership transfers have been completed. If the transfer is not completed by the record date (a "Missed Transfer"), DTC would adjust the Participant's record date position so that the corporate action event is properly credited or allocated to the Participant via DTC and not to an account outside of DTC.⁷

Missed Transfers

Missed Transfer adjustments are one of two adjustment types described in the Distributions Service Guide. The other

adjustment type consists of post-allocation adjustments to correct a rate, record date, or payable date.⁸ While both adjustment types are subject to a notice periods, the Missed Transfer periods do not align with the periods applicable to the other adjustment type.

Currently, if a Missed Transfer is identified within 30 days of the original allocation, DTC sends notice of a claim (*i.e.*, a debit from the Participant's account) to Participants three days before processing the related charge to the Participant's account.⁹ If a Missed Transfer is identified more than 30 days after the original allocation, DTC sends notice of a claim (*i.e.*, a debit from the Participant's account) to Participants five days before processing the related charge to the Participant's account.¹⁰

The proposed rule change would revise the Missed Transfer notice periods to align with the other adjustment periods. Specifically, DTC would change the notice period from three days to one day for Missed Transfers identified within 30 days of the original allocation, and from five days to three days for Missed Transfers identified more than 30 days after the original allocation.

As revised, Missed Transfer adjustments would follow the same notice period as other adjustments in the Distributions Service Guide: one day for adjustments identified within 30 days of the original allocation and three days for adjustments identified more than 30 days after the original allocation.¹¹

Relocation of Missed Transfer Notice Period Guidance

In addition to aligning the notice periods, the proposed rule change would relocate the Missed Transfer notice period guidance from the section regarding Interim Accounting to the section regarding Adjustments, so that all adjustment periods would appear in one place.

2. Statutory Basis

Section 17A(b)(3)(F) of the Act requires, in part, that the DTC Rules be designed to promote the prompt and accurate clearance and settlement of securities transactions and to protect investors and the public interest.¹² DTC believes the proposed rule change is

consistent with Section 17A(b)(3)(F) of the Act.

This proposed rule change is intended to provide Participants with more consistent, standardized guidance regarding adjustment notice periods for DTC's Distributions Service. By aligning the notice periods applicable to Missed Transfer adjustments with the notice periods for other charge-backs, DTC would apply a uniform timetable across adjustment types. Uniform periods would improve operational efficiency and predictability for Participants and DTC, help ensure timely processing of adjustments, and help reduce the risk of processing errors associated with differing notice periods. Further, by relocating the notice period guidance for Missed Transfers so that it appears alongside the other adjustment guidance, Participants will more easily locate the information because it will be in one place. Therefore, DTC believes that the proposed rule change would help promote the prompt and accurate clearance and settlement of securities transactions and protect investors and the public interest, consistent with Section 17A(b)(3)(F) of the Act, cited above.

(B) Clearing Agency's Statement on Burden on Competition

DTC does not believe that the proposed rule change would impose a burden or otherwise have a significant impact on competition as it is only a conforming change to promote uniformity and predictability with respect to adjustment notice periods in the Distributions Service Guide. Uniformity ensures that the same requirements would apply for all related adjustments equally, while predictability, both in the periods and in location, ensures that all Participants can easily find and apply the guidance. Finally, the proposal would not introduce a new or unique cost or change for Participants. For these reasons, DTC believes the proposed rule change would not impose any burden on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

DTC has not received or solicited any written comments relating to this proposal. If any written comments are received, DTC will amend this filing to publicly file such comments as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto.

Persons submitting comments are cautioned that, according to Section IV

⁸ See Adjustments, Reasons for Charge-Backs and Adjustments, Adjustments Resulting from Changes to Rates, Record Dates, or Payable Dates, *supra* note 6, at 32.

⁹ *Supra* note 7.

¹⁰ *Id.*

¹¹ *Supra* note 8.

¹² 15 U.S.C. 78q-1(b)(3)(F).

⁷ See Entitlements/Allocations, Interim Accounting, Participant Deposits Missing Transfer, *supra* note 6, at 28–29.

(Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions.

Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at www.sec.gov/rules-regulations/how-submit-comment. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the SEC's Division of Trading and Markets at tradingandmarkets@sec.gov or 202-551-5777.

DTC reserves the right to not respond to any comments received.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)¹³ of the Act and paragraph (f) of Rule 19b-4 thereunder.¹⁴ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-DTC-2026-006 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

All submissions should refer to File Number SR-DTC-2026-006. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of DTC and on DTCC's website (www.dtcc.com/legal/sec-rule-filings). Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-DTC-2026-006 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026-09364 Filed 5-11-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105395; File No. SR-NYSETEX-2026-11]

Self-Regulatory Organizations; NYSE Texas, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Fee Schedule of NYSE Texas, Inc. To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act"),² and Rule 19b-4 thereunder,³ notice is hereby given that, on April 23, 2026, the NYSE Texas, Inc. ("NYSE Texas" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The

Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the Fee Schedule of NYSE Texas, Inc. ("Fee Schedule") to establish fees for Industry Members⁴ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the "CAT NMS Plan" or "Plan") for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC ("CAT LLC" or the "Company") and referred to as CAT Fee 2026-1, and would be described in a section of the Exchange's fee schedule entitled "Consolidated Audit Trail Funding Fees." The fee rate for CAT Fee 2026-1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for CAT Fee 2026-1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer ("CEBB") and/or CAT Executing Brokers for the Seller ("CEBS") in May 2026. As described further below, CAT Fee 2026-1 is anticipated to be in place for eight months, and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026. The proposed rule change is available on the Exchange's website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

⁴ An "Industry Member" is defined as "a member of a national securities exchange or a member of a national securities association." See NYSE Texas Rule 6.6810(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See NYSE Texas Rule 6.6810.

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations ("SROs") to submit a national market system ("NMS") plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ The Operating Committee adopted a revised funding model to fund the CAT ("CAT Funding Model"). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁸

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants ("Historical CAT Assessment" fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs ("CAT Fees").⁹

Under the CAT Funding Model, Participants, CEBBs and CEBs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. "The Operating Committee will establish fees ('CAT Fees') to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants ('Prospective CAT Costs')." ¹⁰ In establishing a CAT Fee, the Operating Committee will calculate a "Fee Rate" for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEB would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBs from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹¹ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹² Participants would be subject to the same Fee Rate as CEBBs and CEBs.¹³ While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹⁴ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁵ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁶

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement

this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁷ The Plan further states that "[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate." ¹⁸ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.¹⁹ The CAT NMS Plan defines a "CAT Executing Broker" to mean: (a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) ("CAT NMS Plan Approval Order").

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) ("CAT Funding Model Approval Order"). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁹ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs

for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹⁰ Section 11.3(a) of the CAT NMS Plan.

¹¹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹³ Section 11.3(a)(ii) of the CAT NMS Plan.

¹⁴ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁵ CAT Funding Model Approval Order at 13448.

¹⁶ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁷ Section 11.1(b) of the CAT NMS Plan.

¹⁸ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁹ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF

transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²⁰

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²¹

No.	Field name	Data type	Description	Include key
12.n.8/ 13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²²

No.	Field name	Data type	Description	Include key
16.n.13/ 17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²³

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²⁴ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is

then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁵ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year

by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁶ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁷

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a

²⁰ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

²¹ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), <https://www.catnmsplan.com/sites/default/files/>

2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²² See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁴ Section 11.3(a)(i) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁶ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁷ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁸

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁹ Section 11.1(a) of the CAT NMS Plan describes the requirement for the

Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems

appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that: [w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³⁰ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³¹ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³²

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the

Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³³

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁴ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (<i>i.e.</i> , costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151

²⁸ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁹ Section 11.3(a)(i)(C) of the CAT NMS Plan.

³⁰ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³¹ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a

quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³² CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry

Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁴ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

BUDGETED CAT COSTS 2026–1—Continued

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Public relations	¹⁰ 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁵

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853 + (\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630 = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for

2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁶ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁷ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for

informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

³⁵ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized

technology costs. In addition, amortization is a non-cash expense.

³⁶ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁷ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf).

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted Costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual Costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs:	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.
Total	27,931,483	27,344,970	Decrease by \$586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁸ It is

anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁹ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴⁰ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴¹ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴² The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴³

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth

2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁹ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴¹ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴³ This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁴

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁶ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the

⁴⁴ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

³⁸ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16,

Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁷ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT

NMS Plan in connection with the operation and maintenance of the CAT;

- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period

will be approximately \$19,691,953.⁴⁸ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁹

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵⁰ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original

⁴⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁹ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁵⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵¹ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵²

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵³

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors,

including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁴ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁵

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT

Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁷ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (i.e., capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately

⁵¹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵² See CAIS Amendment and Cost Savings Amendment.

⁵³ See Section 9 of Appendix D of the CAT NMS Plan.

⁵⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁵ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

\$0.⁵⁸ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶⁰ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶¹ and the move to 23 × 5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶² The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶³

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The

Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁴ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁵ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief

⁵⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶¹ See CAIS Amendment and Cost Savings Amendment.

⁶² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶³ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;
- Assist with commercial contract-related matters, including change orders

and amendments, Plan Processor Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁶ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁷ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC’s May 20, 2024 order⁶⁸ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁶⁹ Litigation

⁶⁶ *Davidson et al. v. Atkins et al.*, Case No. 6:24–cv–197 (W.D. Tex.).

⁶⁷ *Am. Sec. Ass’n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁸ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁶⁹ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner’s fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁷⁰ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷¹

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷² The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

⁷⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷¹ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷³ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee

2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷⁴ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁵

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for

estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁶ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁷ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁸ The insurance costs represent the costs to be

⁷⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁵ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁹ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁸⁰ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;

- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;
- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT

⁷⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁸⁰ Section 9.2 of the CAT NMS Plan.

LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸¹ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸² The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the

differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸³ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸⁴

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in

public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁵ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁶ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁷ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

⁸⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁸ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve

(which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁹

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹⁰

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following

describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹¹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹²

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was

⁸⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁹ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁹⁰ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹¹ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹² CAT Funding Model Approval Order at 13452.

5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹³

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁴

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁵ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the

CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁶

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁷ Accordingly, the fee rate to be paid by CEBBs and CEBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB’s or CEBs’s fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBs from the prior month.⁹⁸ Proposed paragraph (a)(6)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBs is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange’s fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that: Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for the Seller” or “CEBS”) will be required

to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB’s CAT Fee or CEBs’s CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant

⁹³ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁴ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁵ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁶ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁷ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁸ See proposed paragraph (a)(6)(B) of the fee schedule.

⁹⁹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

number of decimal places for the fee.”¹⁰⁰ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰¹ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(6)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(6)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(6)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set forth in CAT Data. The fee for each such

transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰² The Plan Processor has established a billing system for CAT fees.¹⁰³ Accordingly,

CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁴

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker's CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker's executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the

¹⁰⁰ CAT Funding Model Approval Order at 13445, n.677.

¹⁰¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

¹⁰² Section 11.4 of the CAT NMS Plan.

¹⁰³ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and

the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰⁴ Section 11.4 of the CAT NMS Plan.

¹⁰⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

calculation of their CAT Fee.¹⁰⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁸ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁹ the Financial Accountability

Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹¹⁰

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹¹ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹² On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹³ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(6)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that [e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise

indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹⁴ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁵ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁶ which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁷ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the

¹⁰⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁸ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁹ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹¹⁰ See Securities Exchange Act Rel. No. 100847 (August 24, 2024), 89 FR 72032 (September 4, 2024) (SR-NYSECHX-2024-26).

¹¹¹ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹² CAT Funding Model Approval Order at 13448.

¹¹³ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹⁴ 15 U.S.C. 78f(b)(6).

¹¹⁵ 15 U.S.C. 78f(b)(4).

¹¹⁶ 15 U.S.C. 78f(b)(8).

¹¹⁷ See 15 U.S.C. 78f(b)(1).

Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁸ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBBs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the

CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²⁰ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²¹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of

the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²² CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other

¹¹⁹ *Id.*

¹²⁰ CAT Funding Model Approval Order at 13481.

¹²¹ *Id.*

¹²² Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

¹¹⁸ CAT NMS Plan Approval Order at 84697.

things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²³ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²⁴ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁵ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to

reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁶

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁷ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including

compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁸ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁹ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁰

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³¹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³² CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS

¹²³ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²⁴ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁵ CAT NMS Plan Approval Order at 84801.

¹²⁶ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁸ See Section 3(a)(2)(C)(ii) above.

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³³ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³⁴

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁵ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁶ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁷ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁸

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal

fees as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴⁰

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴¹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴² and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴³ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting

services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴⁴

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁵ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁶ As discussed above,¹⁴⁷ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁸

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁹ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs

¹³³ See Section 3(a)(2)(C)(iii) above.

¹³⁴ *Id.*

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(iv) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(v) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹⁴⁰ See Section 3(a)(2)(C)(vi) above.

¹⁴¹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴² As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴³ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁴ Section 3(a)(2)(C)(vii) above.

¹⁴⁵ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁶ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁷ See Section 3(a)(2)(C)(viii) above.

¹⁴⁸ *Id.*

¹⁴⁹ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

related to such services are described above.¹⁵⁰

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵²

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵³ However, as described above,¹⁵⁴ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–

1 Period.¹⁵⁵ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁶ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁷ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁸

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁹ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶⁰ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each

of these benefits to the CAT. The reserve is discussed further above.¹⁶¹

As discussed further below,¹⁶² however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶³ As discussed above,¹⁶⁴ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁵

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent

¹⁵⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁶ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁷ CAT Funding Model Approval Order at 13444.

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ See Section 3(a)(2)(C)(xii) above.

¹⁶² See Section 3(b)(2)(B) below.

¹⁶³ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁴ See Section 3(a)(2)(C)(xii) above.

¹⁶⁵ See Section 3(a)(2)(D) above.

¹⁵⁰ See Section 3(a)(2)(C)(ix) above.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵⁴ See Section 3(a)(2)(C)(x) above.

share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times

5,980,937,549,360.49 executed equivalent shares.¹⁶⁶ The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁷ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁸

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁹ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will

mitigate any potential adverse economic effects or inefficiencies.¹⁷⁰

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷¹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷² Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷³ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the

¹⁶⁶ *Id.*

¹⁶⁷ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁸ See Section 3(a)(5)(A) above.

¹⁶⁹ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁷⁰ *Id.*

¹⁷¹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷² CAT Funding Model Approval Order at 13412.

¹⁷³ 15 U.S.C. 78f(b)(8).

Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁴ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Pursuant to Section 19(b)(3)(A)(ii) of the Act,¹⁷⁵ and Rule 19b–4(f)(2) thereunder,¹⁷⁶ the Exchange has designated this proposal as establishing

or changing a due, fee, or other charge imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–NYSETEX–2026–11 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090. All submissions should refer to file number SR–NYSETEX–2026–11. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–NYSETEX–2026–11 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁷

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026–09348 Filed 5–11–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105401; File No. SR–C2–2026–010]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 24, 2026, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to amend its “Consolidated Audit Trail Funding Fees”³ fee schedule to establish fees for Industry Members⁴ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (<https://www.sec.gov/rules/sro.shtml>), the Exchange's website (https://www.cboe.com/us/options/regulation/rule_filings/bzx/), and at the principal office of the Exchange.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ The Exchange and each of its affiliated exchanges (Cboe BYX Exchange, Inc., Cboe BZX Exchange, Cboe Exchange Inc., Cboe EDGA Exchange, Inc., and Cboe EDGX Exchange, Inc.) are filing to make the same amendment to the “Consolidated Audit Trail Funding Fees” fee schedule.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Exchange Rule 7.20(u); see also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Chapter 7, Section B of the Exchange's Rulebook.

¹⁷⁴ CAT Funding Model Approval Order at 13457–81.

¹⁷⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷⁶ 17 CFR 240.19b–4.

¹⁷⁷ 17 CFR 200.30–3(a)(12).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations ("SROs") to submit a national market system ("NMS") plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ The Operating Committee adopted a revised funding model to fund the CAT ("CAT Funding Model"). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁸

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for

allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants ("Historical CAT Assessment" fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs ("CAT Fees").⁹

Under the CAT Funding Model, Participants, CEBBs and CEBs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. "The Operating Committee will establish fees ('CAT Fees') to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants ('Prospective CAT Costs')." ¹⁰ In establishing a CAT Fee, the Operating Committee will calculate a "Fee Rate" for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEB would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBs from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹¹ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹² Participants would be subject to the same Fee Rate as CEBBs and CEBs.¹³ While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹⁴ CAT fees charged to Participants are

implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁵ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁶

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁷ The Plan further states that "[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate." ¹⁸ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.¹⁹ The CAT NMS Plan defines a "CAT Executing Broker" to mean: (a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT

¹⁵ CAT Funding Model Approval Order at 13448.

¹⁶ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁷ Section 11.1(b) of the CAT NMS Plan.

¹⁸ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁹ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

⁵ Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁶ Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) ("CAT NMS Plan Approval Order").

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) ("CAT Funding Model Approval Order"). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Release No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁹ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹⁰ Section 11.3(a) of the CAT NMS Plan.

¹¹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹³ Section 11.3(a)(i) of the CAT NMS Plan.

¹⁴ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry

Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is

identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²⁰

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²¹

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²²

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²³

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²⁴ Based on this calculation, the Operating

Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the

year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁵ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁶ For CAT Fee 2026–1, the reasonably budgeted CAT

²⁰ Section 1.1 of the CAT NMS Plan. Note that CEBBs and CEBSSs may, but are not required to, pass-through their CAT Fees to their clients, who may, in turn, pass their fees to their clients until they are imposed ultimately on the account that executed the transaction. See CAT Funding Model Approval Order at 13424.

²¹ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for

Plan Participants, Version 4.1.1 r1 (Apr. 14, 2025), https://www.catnmsplan.com/sites/default/files/2025-04/04.14.2025_CAT_Reporting_Technical_Specifications_for_Participants_4.1.1-r1.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²² See Table 51, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ See Table 61, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁴ Section 11.3(a)(i) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁶ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁷

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁸

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁹ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company,

including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that:

[w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³⁰ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³¹ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³²

³⁰ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³¹ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³² CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³³

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁴ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁴ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

²⁷ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁸ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁹ Section 11.3(a)(i)(C) of the CAT NMS Plan.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., Costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁵

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853 + (\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630 = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT

LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for 2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁶ the updated

annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁷ the Original 2026

www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf.

³⁷ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf).

³⁵ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

³⁶ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

CAT Budget and the Updated 2026 CAT Budget, and is provided for informational purposes. In each case, the costs provided reflect the costs for

the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31,

2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.
Total	27,931,483	27,344,970	Decrease by \$586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁸ It is

anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁹ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴⁰ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴¹ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴² The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴³

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth

2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁹ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴¹ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴³ This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁴

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁶ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the

⁴⁴ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

³⁸ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16,

Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁷ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT

NMS Plan in connection with the operation and maintenance of the CAT;

- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period

will be approximately \$19,691,953.⁴⁸ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁹

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵⁰ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original

⁴⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁹ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁵⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵¹ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵²

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵³

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors,

including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁴ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁵

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT

Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁷ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (i.e., capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately

⁵¹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵² See CAIS Amendment and Cost Savings Amendment.

⁵³ See Section 9 of Appendix D of the CAT NMS Plan.

⁵⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁵ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

\$0.⁵⁸ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶⁰ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶¹ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶² The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶³

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs

for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁴ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁵ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a

⁵⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶¹ See CAIS Amendment and Cost Savings Amendment.

⁶² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶³ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;

- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁶ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁷ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC’s May 20, 2024 order⁶⁸ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not

immediately actionable.⁶⁹ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner’s fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁷⁰ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷¹

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷² The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the

⁶⁹ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁷⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷¹ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁶ *Davidson et al. v. Atkins et al.*, Case No. 6:24–cv–197 (W.D. Tex.).

⁶⁷ *Am. Sec. Ass’n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁸ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷³ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT

LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷⁴ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁵

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as

well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁶ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁷ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for

⁷³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁵ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

the CAT Fee 2026–1 Period.⁷⁸ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁹ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget

from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁸⁰ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;

- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;
- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's

⁷⁸ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁸⁰ Section 9.2 of the CAT NMS Plan.

financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸¹ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸² The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this

filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸³ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸⁴

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing

describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁵ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁶ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁷ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly,

⁸⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁸ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(x) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the

avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁹

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹⁰

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee

filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹¹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹²

⁸⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁹ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁹⁰ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹¹ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹² CAT Funding Model Approval Order at 13452.

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹³

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁴

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁵ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in

accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁶

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁷ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB’s or CEBB’s fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBB from the prior month.⁹⁸ Proposed paragraph (a)(6)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBB is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange’s fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that: Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for

the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB’s CAT Fee or CEBS’s CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by

⁹³ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁴ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁵ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁶ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁷ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁸ See proposed paragraph (a)(6)(B) of the fee schedule.

⁹⁹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

one-third and describing the relevant number of decimal places for the fee.”¹⁰⁰ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰¹ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(6)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(6)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(6)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set

forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰² The Plan Processor has established a billing system for CAT fees.¹⁰³ Accordingly,

CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁴

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that: Details regarding the calculation of a Participant or CAT Executing Broker’s CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the

¹⁰⁰ CAT Funding Model Approval Order at 13445, n.677.

¹⁰¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

¹⁰² Section 11.4 of the CAT NMS Plan.

¹⁰³ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT

Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰⁴ Section 11.4 of the CAT NMS Plan.

¹⁰⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

calculation of their CAT Fee.¹⁰⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁸ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁹ the Financial Accountability

Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹¹⁰

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹¹ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹² On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹³ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(6)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless

a longer payment period is otherwise indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹⁴ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁵ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁶ which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁷ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In

¹⁰⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 62667.

¹⁰⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁸ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁹ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹¹⁰ See Securities Exchange Act Release No. 100830 (August 27, 2024), 89 FR 71501 (September 3, 2024) (SR–C2–2024–013) (“Fee Filing for CAT Fee 2024–1”).

¹¹¹ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹² CAT Funding Model Approval Order at 13448.

¹¹³ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹⁴ 15 U.S.C. 78f(b)(6).

¹¹⁵ 15 U.S.C. 78f(b)(4).

¹¹⁶ 15 U.S.C. 78f(b)(8).

¹¹⁷ See 15 U.S.C. 78f(b)(1).

approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁸ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry

Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²⁰ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²¹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of

these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²² CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of

¹¹⁹ *Id.*

¹²⁰ CAT Funding Model Approval Order at 13481.

¹²¹ *Id.*

¹²² Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

¹¹⁸ CAT NMS Plan Approval Order at 84697.

the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²³ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²⁴ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁵ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any

material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁶

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁷ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g.,

management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁸ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁹ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁰

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³¹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³² CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be

¹²³ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²⁴ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁵ CAT NMS Plan Approval Order at 84801.

¹²⁶ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁸ See Section 3(a)(2)(C)(ii) above.

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

provided and market rates for similar types of activity, are reasonable and appropriate.¹³³ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³⁴

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁵ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁶ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁷ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁸

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal

fees as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴⁰

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴¹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴² and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴³ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting

services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴⁴

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁵ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁶ As discussed above,¹⁴⁷ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁸

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁹ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs

¹³³ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹⁴⁰ See Section 3(a)(2)(C)(vi) above.

¹⁴¹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴² As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴³ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁴ Section 3(a)(2)(C)(vii) above.

¹⁴⁵ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁶ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁷ See Section 3(a)(2)(C)(viii) above.

¹⁴⁸ *Id.*

¹⁴⁹ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹³³ See Section 3(a)(2)(C)(iii) above.

¹³⁴ *Id.*

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(iv) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(v) above.

related to such services are described above.¹⁵⁰

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵²

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵³ However, as described above,¹⁵⁴ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–

1 Period.¹⁵⁵ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(x) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁶ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁷ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is reasonable to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁸

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁹ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶⁰ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each

of these benefits to the CAT. The reserve is discussed further above.¹⁶¹

As discussed further below,¹⁶² however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶³ As discussed above,¹⁶⁴ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁵

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent

¹⁵⁰ See Section 3(a)(2)(C)(ix) above.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵⁴ See Section 3(a)(2)(C)(x) above.

¹⁵⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁶ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁷ CAT Funding Model Approval Order at 13444.

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ See Section 3(a)(2)(C)(xii) above.

¹⁶² See Section 3(b)(2)(B) below.

¹⁶³ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁴ See Section 3(a)(2)(C)(xii) above.

¹⁶⁵ See Section 3(a)(2)(D) above.

share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times

5,980,937,549,360.49 executed equivalent shares.¹⁶⁶ The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁷ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁸

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁹ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will

mitigate any potential adverse economic effects or inefficiencies.¹⁷⁰

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷¹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷² Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷³ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the

¹⁶⁶ *Id.*

¹⁶⁷ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁸ See Section 3(a)(5)(A) above.

¹⁶⁹ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁷⁰ *Id.*

¹⁷¹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷² CAT Funding Model Approval Order at 13412.

¹⁷³ 15 U.S.C. 78f(b)(8).

Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁴ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷⁵ and paragraph (f) of Rule 19b–4¹⁷⁶ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission

summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–C2–2026–010 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–C2–2026–010. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–C2–2026–010 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁷

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026–09354 Filed 5–11–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105400; File No. SR–CboeBYX–2026–015]

Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for the Period From May 1, 2026 Through December 31, 2026

May 7, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 24, 2026, Cboe BYX Exchange, Inc. (the “Exchange” or “BYX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe BYX Exchange, Inc. (the “Exchange” or “BYX”) proposes to amend its “Consolidated Audit Trail Funding Fees”³ fee schedule to establish fees for Industry Members⁴ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (<https://www.sec.gov/rules/sro.shtml>), the Exchange's website (<https://www.cboe.com/us/equities/>

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ The Exchange and each of its affiliated exchanges (Cboe BZX Exchange, Inc., Cboe C2 Exchange, Cboe Exchange Inc., Cboe EDGA Exchange, Inc., and Cboe EDGX Exchange, Inc.) are filing to make the same amendment to the “Consolidated Audit Trail Funding Fees” fee schedule.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Exchange Rule 4.5(u); see also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Exchange Rules 4.5–4.17.

¹⁷⁴ CAT Funding Model Approval Order at 13457–81.

¹⁷⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁷⁶ 17 CFR 240.19b–4(f).

¹⁷⁷ 17 CFR 200.30–3(a)(12).

regulation/rule_filings/bzx/), and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations ("SROs") to submit a national market system ("NMS") plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ The Operating Committee adopted a revised funding model to fund the CAT ("CAT Funding Model"). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁸

The CAT Funding Model provides a framework for the recovery of the costs

to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants ("Historical CAT Assessment" fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs ("CAT Fees").⁹

Under the CAT Funding Model, Participants, CEBBs and CEBSSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. "The Operating Committee will establish fees ('CAT Fees') to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants ('Prospective CAT Costs')." ¹⁰ In establishing a CAT Fee, the Operating Committee will calculate a "Fee Rate" for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBSS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBSS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹¹ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹² Participants would be subject to the same Fee Rate as CEBBs and CEBSSs.¹³ While CAT Fees charged to Industry Members become effective in accordance with the requirements of

Section 19(b) of the Exchange Act,¹⁴ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁵ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁶

CAT LLC proposes to charge CEBBs and CEBSSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁷ The Plan further states that "[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate." ¹⁸ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBSS for each applicable transaction in Eligible Securities.¹⁹ The CAT NMS Plan defines a "CAT Executing Broker" to mean: (a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry

¹⁴ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁵ CAT Funding Model Approval Order at 13448.

¹⁶ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁷ Section 11.1(b) of the CAT NMS Plan.

¹⁸ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁹ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

⁵ Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁶ Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) ("CAT NMS Plan Approval Order").

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) ("CAT Funding Model Approval Order").

This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Release No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁹ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹⁰ Section 11.3(a) of the CAT NMS Plan.

¹¹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹³ Section 11.3(a)(ii) of the CAT NMS Plan.

Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the

Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no

contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²⁰

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²¹

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²²

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²³

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party.	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as

discussed in detail below.²⁴ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

²⁰ Section 1.1 of the CAT NMS Plan. Note that CEBBs and CEBSSs may, but are not required to, pass-through their CAT Fees to their clients, who may, in turn, pass their fees to their clients until they are imposed ultimately on the account that executed the transaction. See CAT Funding Model Approval Order at 13424.

²¹ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.1.1 r1 (Apr. 14, 2025), https://www.catnmsplan.com/sites/default/files/2025-04/04.14.2025_CAT_Reporting_Technical_Specifications_for_Participants_4.1.1-r1.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁵ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted

²² See Table 51, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ See Table 61, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁴ Section 11.3(a)(i) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁶ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁷

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁸

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating

Committee.”²⁹ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that: [w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³⁰ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³¹ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were

prepared on the accrual basis of accounting.³²

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³³

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁴ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (<i>i.e.</i> , costs for May–December 2026)
Capitalized Developed Technology Costs ^a	¢\$3,450,000

²⁶ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁷ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁸ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁹ Section 11.3(a)(i)(C) of the CAT NMS Plan.

³⁰ The Original 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/>

[sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf](https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf)).

³¹ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³² CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations

of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁴ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

BUDGETED CAT COSTS 2026–1—Continued

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁵

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853 + (\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630 = \$19,691,953$.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,125,170) + \$2,125,170 + \$2,125,170 = \$5,670,452$.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT

LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for 2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁶ the updated

annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁷ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for

05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁷ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁵ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

³⁶ The May Updated 2025 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2025-05/>

informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets;

this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31,

2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.
Total	27,931,483	27,344,970	Decrease by \$586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included 49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁸ It is

anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁹ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴⁰ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴¹ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴² The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴³

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth

2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁹ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴¹ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴³ This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁴

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁶ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the

⁴⁴ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

³⁸ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16,

Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁷ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT

NMS Plan in connection with the operation and maintenance of the CAT;

- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period

will be approximately \$19,691,953.⁴⁸ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁹

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵⁰ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original

⁴⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁹ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁵⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵¹ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵²

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵³

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors,

including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁴ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁵

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT

Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁷ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (i.e., capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately

⁵¹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵² See CAIS Amendment and Cost Savings Amendment.

⁵³ See Section 9 of Appendix D of the CAT NMS Plan.

⁵⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁵ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

\$0.⁵⁸ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶⁰ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶¹ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶² The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶³

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs

for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁴ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁵ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a

⁵⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶¹ See CAIS Amendment and Cost Savings Amendment.

⁶² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶³ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;

- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁶ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁷ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC’s May 20, 2024 order⁶⁸ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not

immediately actionable.⁶⁹ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner’s fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁷⁰ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷¹

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷² The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the

⁶⁹ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁷⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷¹ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁶ *Davidson et al. v. Atkins et al.*, Case No. 6:24–cv–197 (W.D. Tex.).

⁶⁷ *Am. Sec. Ass’n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁸ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷³ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT

LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷⁴ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁵

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as

well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁶ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁷ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁸ The

⁷⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁵ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁹ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was

primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁸⁰ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;

- Review vendor invoices and documentation in support of cash disbursements;

- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;

- Provide accounting research and consultations on various accounting, financial reporting and tax matters;

- Address not-for-profit tax and accounting considerations;

- Prepare tax returns;

- Address various accounting, financial reporting and operating inquiries from Participants;

- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;

- Support compliance with the CAT NMS Plan;

- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;

- Prepare monthly, quarterly and annual financial statements;

- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;

- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;

- Support the annual financial statement audits by an independent auditor;

- Review historical costs from inception;

- Provide accounting and financial information in support of SEC filings; and

- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's financial statements, in accordance with

⁷⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁸⁰ Section 9.2 of the CAT NMS Plan.

the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸¹ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸² The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the

professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸³ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸⁴

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public

relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁵ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁶ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁷ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for

⁸¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁸ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(x) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will

only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁹

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹⁰

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model,

this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹¹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹²

⁸⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁹ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁹⁰ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹¹ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹² CAT Funding Model Approval Order at 13452.

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹³

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁴

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁵ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in

accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁶

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁷ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB's or CEBB's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBB from the prior month.⁹⁸ Proposed paragraph (a)(6)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis." In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBB is required to pay its CAT fees "each month."

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the "Consolidated Audit Trail Funding Fees" section of the Exchange's fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that: Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities ("CAT Executing Broker for the Buyer" or "CEBB") and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities ("CAT Executing Broker for

the Seller" or "CEBS") will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB's CAT Fee or CEBS's CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, "[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by

⁹³ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁴ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁵ In approving the CAT Funding Model, the Commission stated that "[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (i.e., by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate." CAT Funding Model Approval Order at 13435.

⁹⁶ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁷ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁸ See proposed paragraph (a)(6)(B) of the fee schedule.

⁹⁹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

one-third and describing the relevant number of decimal places for the fee.”¹⁰⁰ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰¹ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(6)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(6)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(6)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set

forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰² The Plan Processor has established a billing system for CAT fees.¹⁰³ Accordingly,

CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure to Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁴

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker’s CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the

¹⁰⁰ CAT Funding Model Approval Order at 13445, n.677.

¹⁰¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

¹⁰² Section 11.4 of the CAT NMS Plan.

¹⁰³ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT

Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰⁴ Section 11.4 of the CAT NMS Plan.

¹⁰⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

calculation of their CAT Fee.¹⁰⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁸ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁹ the Financial Accountability

Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹¹⁰

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹¹ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹² On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹³ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(6)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise

indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹⁴ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁵ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁶ which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁷ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that

¹⁰⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 62667.

¹⁰⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁸ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁹ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹¹⁰ See Securities Exchange Act Release No. 100833 (August 27, 2024), 89 FR 71650 (September 3, 2024) (SR–CboeBYX–2024–029).

¹¹¹ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹² CAT Funding Model Approval Order at 13448.

¹¹³ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹⁴ 15 U.S.C. 78f(b)(6).

¹¹⁵ 15 U.S.C. 78f(b)(4).

¹¹⁶ 15 U.S.C. 78f(b)(8).

¹¹⁷ See 15 U.S.C. 78f(b)(1).

the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁸ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT

Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²⁰ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²¹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and

satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²² CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need

¹¹⁹ *Id.*

¹²⁰ CAT Funding Model Approval Order at 13481.

¹²¹ *Id.*

¹²² Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

¹¹⁸ CAT NMS Plan Approval Order at 84697.

for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²³ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²⁴ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁵ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture

design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁶

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁷ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT

Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁸ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁹ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁰

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³¹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³² CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar

¹²³ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²⁴ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁵ CAT NMS Plan Approval Order at 84801.

¹²⁶ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁸ See Section 3(a)(2)(C)(ii) above.

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

types of activity, are reasonable and appropriate.¹³³ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³⁴

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁵ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁶ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁷ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁸

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁹ CAT LLC

determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴⁰

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴¹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴² and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴³ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed

by Deloitte and the budgeted costs related to such services are described above.¹⁴⁴

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁵ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁶ As discussed above,¹⁴⁷ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁸

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁹ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁵⁰

¹³³ See Section 3(a)(2)(C)(iii) above.

¹³⁴ *Id.*

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(iv) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(v) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹⁴⁰ See Section 3(a)(2)(C)(vi) above.

¹⁴¹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴² As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴³ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁴ Section 3(a)(2)(C)(vii) above.

¹⁴⁵ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁶ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁷ See Section 3(a)(2)(C)(viii) above.

¹⁴⁸ *Id.*

¹⁴⁹ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁵⁰ See Section 3(a)(2)(C)(ix) above.

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵²

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵³ However, as described above,¹⁵⁴ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵⁵ CAT LLC determined that using interest income to reduce the

amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(x) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁶ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁷ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is reasonable to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁸

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁹ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶⁰ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁶¹

As discussed further below,¹⁶² however, a surplus reserve balance in

excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶³ As discussed above,¹⁶⁴ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁵

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times

¹⁶³ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁴ See Section 3(a)(2)(C)(xii) above.

¹⁶⁵ See Section 3(a)(2)(D) above.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ Section 11.3(a)(iii)(B)(6) of the CAT NMS Plan.

¹⁵⁴ See Section 3(a)(2)(C)(x) above.

¹⁵⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁶ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁷ CAT Funding Model Approval Order at 13444.

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ See Section 3(a)(2)(C)(xii) above.

¹⁶² See Section 3(b)(2)(B) below.

5,980,937,549,360.49 executed equivalent shares.¹⁶⁶ The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁷ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁸

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁹ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will *COM007*mitigate any potential adverse economic effects or inefficiencies.¹⁷⁰

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷¹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷² Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBS in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved

the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷³ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to

¹⁶⁶ *Id.*

¹⁶⁷ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁸ See Section 3(a)(5)(A) above.

¹⁶⁹ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁷⁰ *Id.*

¹⁷¹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷² CAT Funding Model Approval Order at 13412.

¹⁷³ 15 U.S.C. 78f(b)(8).

introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁴ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷⁵ and paragraph (f) of Rule 19b–4¹⁷⁶ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors,

or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–CboeBYX–2026–015 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–CboeBYX–2026–015. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–CboeBYX–2026–015 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁷

Stephanie J. Fouse,

Assistant Secretary.

[FR Doc. 2026–09353 Filed 5–11–26; 8:45 am]

BILLING CODE 8011–01–P

SMALL BUSINESS ADMINISTRATION

[Disaster Declaration #21581 and #21582; TEXAS Disaster Number TX–20081]

Administrative Declaration of a Disaster for the State of Texas

AGENCY: U.S. Small Business Administration.

ACTION: Notice.

SUMMARY: This is notice of an Administrative declaration of a disaster for the state of Texas dated May 7, 2026.

Incident: Severe Storms and Tornadoes.

DATES: Issued on May 7, 2026.

Incident Period: April 24, 2026 through May 1, 2026.

Physical Loan Application Deadline Date: July 6, 2026.

Economic Injury (EIDL) Loan Application Deadline Date: February 8, 2027.

ADDRESSES: Visit the MySBA Loan Portal at <https://lending.sba.gov> to apply for a disaster assistance loan.

FOR FURTHER INFORMATION CONTACT: Jennifer Talarico, Office of Disaster Recovery and Resilience, U.S. Small Business Administration, 409 3rd Street SW, Suite 6050, Washington, DC 20416, (202) 205–6734.

SUPPLEMENTARY INFORMATION: Notice is hereby given as a result of the Administrator's disaster declaration, applications for disaster loans may be submitted online using the MySBA Loan Portal <https://lending.sba.gov> or in person at other locally announced locations. For further assistance please contact the SBA disaster assistance customer service center by email at disastercustomerservice@sba.gov or by phone at 1–800–659–2955. If you are deaf, hard of hearing, or have a speech disability, please dial 7–1–1 to access telecommunications relay services.

The following areas have been determined to be adversely affected by the disaster:

Primary Counties: Parker, Wise.

Contiguous Counties:

Texas: Cooke, Denton, Hood, Jack, Johnson, Montague, Palo Pinto, Tarrant.

The Interest Rates are:

	Percent
<i>For Physical Damage:</i>	
Homeowners with Credit Available Elsewhere	5.750
Homeowners without Credit Available Elsewhere	2.875
Businesses with Credit Available Elsewhere	8.000
Businesses without Credit Available Elsewhere	4.000

¹⁷⁴ CAT Funding Model Approval Order at 13457–81.

¹⁷⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁷⁶ 17 CFR 240.19b–4(f).

¹⁷⁷ 17 CFR 200.30–3(a)(12).

	Percent
Private Non-Profit Organizations with Credit Available Elsewhere	3.625
Private Non-Profit Organizations without Credit Available Elsewhere	3.625
<i>For Economy Injury:</i>	
Business and Small Agricultural Cooperatives without Credit Available Elsewhere	4.000
Private Non-Profit Organizations without Credit Available Elsewhere	3.625

The number assigned to this disaster for physical damage is 21581C and for economic injury is 215820.

The state which received an SBA Administrative declaration is Texas.

(Catalog of Federal Domestic Assistance Number 59008)

(Authority: 13 CFR 123.3(b).)

James Stallings,

Associate Administrator, Office of Disaster Recovery & Resilience.

[FR Doc. 2026-09384 Filed 5-11-26; 8:45 am]

BILLING CODE 8026-09-P

DEPARTMENT OF TRANSPORTATION

Federal Motor Carrier Safety Administration

[Docket No. FMCSA-2026-0050]

Qualification of Drivers; Exemption Applications; Hearing

AGENCY: Federal Motor Carrier Safety Administration (FMCSA), Department of Transportation (DOT).

ACTION: Notice of applications for exemption; request for comments.

SUMMARY: FMCSA announces receipt of applications from 11 individuals for an exemption from the hearing requirement in the Federal Motor Carrier Safety Regulations (FMCSRs) to operate a commercial motor vehicle (CMV) in interstate commerce. If granted, the exemptions would enable these hard of hearing and deaf individuals to operate CMVs in interstate commerce.

DATES: Comments must be received on or before June 11, 2026.

ADDRESSES: You may submit comments identified by Docket No. FMCSA-2026-0050 using any of the following methods:

- *Federal eRulemaking Portal:* Go to www.regulations.gov, insert the docket number (FMCSA-2026-0050) in the keyword box and click "Search." Next, choose the only notice listed, and click on the "Comment" button. Follow the

online instructions for submitting comments.

- *Mail:* Dockets Operations, U.S. Department of Transportation, 1200 New Jersey Avenue SE, W58-213, Washington, DC 20590-0001.

- *Hand Delivery or Courier:* Dockets Operations, U.S. Department of Transportation, 1200 New Jersey Avenue SE, W58-213, Washington, DC 20590-0001, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

- *Fax:* (202) 493-2251.

To avoid duplication, please use only one of these four methods. See the "Public Participation" portion of the **SUPPLEMENTARY INFORMATION** section for instructions on submitting comments.

FOR FURTHER INFORMATION CONTACT: Ms. Christine A. Hydock, Chief, Medical Programs Division, FMCSA, DOT, 1200 New Jersey Avenue SE, Washington, DC 20590-0001; (202) 366-4001; fmcamedical@dot.gov. Office hours are 8:30 a.m. to 5 p.m. ET Monday through Friday, except Federal holidays. If you have questions regarding viewing or submitting material to the docket, contact Dockets Operations, (202) 366-9826.

SUPPLEMENTARY INFORMATION:

I. Public Participation

A. Submitting Comments

If you submit a comment, please include the docket number for this notice (FMCSA-2026-0050), indicate the specific section of this document to which each comment applies, and provide a reason for each suggestion or recommendation. You may submit your comments and material online or by fax, mail, or hand delivery, but please use only one of these means. FMCSA recommends that you include your name and a mailing address, an email address, or a phone number in the body of your document so that FMCSA can contact you if there are questions regarding your submission.

To submit your comment online, go to <https://www.regulations.gov/docket/FMCSA-2026-0050>. Next, choose the only notice listed, click the "Comment" button, and type your comment into the text box on the following screen. Choose whether you are submitting your comment as an individual or on behalf of a third party and then submit.

If you submit your comments by mail or hand delivery, submit them in an unbound format, no larger than 8½ by 11 inches, suitable for copying and electronic filing. FMCSA will consider all comments and material received during the comment period.

B. Confidential Business Information (CBI)

CBI is commercial or financial information that is both customarily and actually treated as private by its owner. Under the Freedom of Information Act (5 U.S.C. 552), CBI is exempt from public disclosure. If your comments responsive to the notice contain commercial or financial information that is customarily treated as private, that you actually treat as private, and that is relevant or responsive to the notice, it is important that you clearly designate the submitted comments as CBI. Please mark each page of your submission that constitutes CBI as "PROPIN" to indicate it contains proprietary information. FMCSA will treat such marked submissions as confidential under the Freedom of Information Act, and they will not be placed in the public docket of the notice. Submissions containing CBI should be sent to Brian Dahlin, Chief, Regulatory Evaluation Division, Office of Policy, FMCSA, 1200 New Jersey Avenue SE, Washington, DC 20590-0001 or via email at brian.g.dahlin@dot.gov. At this time, you need not send a duplicate hardcopy of your electronic CBI submissions to FMCSA headquarters. Any comments FMCSA receives not specifically designated as CBI will be placed in the public docket for this notice.

C. Viewing Comments

To view comments, go to www.regulations.gov, insert the docket number (FMCSA-2026-0050) in the keyword box and click "Search." Next, choose the only notice listed, and click "Browse Comments." If you do not have access to the internet, you may view the docket online by visiting Dockets Operations in room W58-213 of the DOT West Building, 1200 New Jersey Avenue SE, Washington, DC 20590-0001, between 9 a.m. and 5 p.m. ET Monday through Friday, except Federal holidays. To be sure someone is there to help you, please call (202) 366-9317 or (202) 366-9826 before visiting Dockets Operations.

D. Privacy Act

In accordance with 49 U.S.C. 31315(b)(6), DOT solicits comments from the public on the exemption request. DOT posts these comments, including any personal information the commenter provides, to www.regulations.gov, as described in the system of records notice DOT/ALL-14 FDMS (Federal Docket Management System), which can be reviewed under the "Department Wide System of

Records Notices” link at <https://www.transportation.gov/individuals/privacy/privacy-act-system-records-notices>. The comments are posted without edit and are searchable by the name of the submitter.

II. Legal Basis

FMCSA has authority under 49 U.S.C. 31136(e) and 31315(b) to grant exemptions from the FMCSRs. FMCSA must publish a notice of each exemption request in the **Federal Register** (49 CFR 381.315(a)). The Agency must provide the public an opportunity to inspect the information relevant to the application, including the applicant's safety analysis. The Agency must provide an opportunity for public comment on the request.

The Agency reviews the application, safety analyses, and public comments submitted and determines whether granting the exemption would likely achieve a level of safety equivalent to, or greater than, the level that would be achieved absent such exemption, pursuant to the standard set forth in 49 U.S.C. 31315(b)(1). The Agency must publish its decision in the **Federal Register** (49 CFR 381.315(b)). If granted, the notice will identify the regulatory provision from which the applicant will be exempt, the effective period, and all terms and conditions of the exemption (49 CFR 381.315(c)(1)). If the exemption is denied, the notice will explain the reason for the denial (49 CFR 381.315(c)(2)). The exemption may be renewed (49 CFR 381.300(b)). FMCSA grants medical exemptions from the FMCSRs for a 2-year period to align with the maximum duration of a driver's medical certification.

III. Background

The physical qualification standard for drivers regarding hearing, found in 49 CFR 391.41(b)(11), states that a person is physically qualified to drive a CMV if that person first perceives a forced whispered voice in the better ear at not less than 5 feet with or without the use of a hearing aid or, if tested by use of an audiometric device, does not have an average hearing loss in the better ear greater than 40 decibels at 500 Hz, 1,000 Hz, and 2,000 Hz with or without a hearing aid when the audiometric device is calibrated to American National Standard (formerly ASA Standard) Z24.5—1951.

This standard was adopted in 1970 and was revised in 1971 to allow drivers to be qualified under this standard while wearing a hearing aid (35 FR 6458, 6463 (Apr. 22, 1970) and 36 FR 12857 (July 8, 1971)). In 2008, FMCSA published Evidence Report, “Executive

Summary on Hearing, Vestibular Function and Commercial Motor Driving Safety.”¹ The evidence report reached two conclusions regarding the matter of hearing loss and CMV driver safety: (1) no studies that examined the relationship between hearing loss and crash risk exclusively among CMV drivers were identified; and (2) evidence from studies of the private driver's license holder population does not support the contention that individuals with hearing impairment are at an increased risk for a crash.

On February 1, 2013, FMCSA began granting exemptions, on a case-by-case basis, to individual drivers from the physical qualification standard regarding hearing in 49 CFR 391.41(b)(11) (78 FR 7479 (Feb. 1, 2013)). The Agency considers relevant scientific information and literature, the 2008 Evidence Report, “Executive Summary on Hearing, Vestibular Function and Commercial Motor Driving Safety,” any public comments received, and each individual's driving record in deciding whether to grant the exemption.

The 11 individuals listed in this notice have requested an exemption from the hearing standard in 49 CFR 391.41(b)(11). Accordingly, the Agency will evaluate the qualifications of each applicant to determine whether granting the exemption will achieve the required level of safety mandated by statute.

IV. Qualifications of Applicants

Kenneth Arrington

Mr. Arrington, 35, holds a class C driver's license in Texas.

Randy Bayley

Mr. Bayley, 31, holds a class D driver's license in New York.

Jerrod Cunningham

Mr. Cunningham, 34, holds a class E driver's license in Florida.

Tyler Dilks

Mr. Dilks, 36, holds a class C driver's license in Maryland.

Samuel Fewel

Mr. Fewel, 36, holds a class D driver's license in Oklahoma.

Derek Ghiotti

Mr. Ghiotti, 56, holds a class C driver's license in Oregon.

Rodolfo Gonzalez

Mr. Gonzalez, 34, holds a class C driver's license in Texas.

¹ <https://www.fmcsa.dot.gov/regulations/medical/hearing-vestibular-function-and-commercial-motor-vehicle-driver-safety-executive>.

Albert Herr

Mr. Herr, 77, holds a class A commercial driver's license (CDL) in Pennsylvania.

Kevin Luttrell

Mr. Luttrell, 30, holds a class F driver's license in Missouri.

Manuel Rivero Ninacevich

Mr. Rivero Ninacevich, 36, holds a class E driver's license in Florida.

Ricardo Rojo

Mr. Rojo, 41, holds a class C driver's license in California.

V. Request for Comments

In accordance with 49 U.S.C. 31136(e) and 31315(b), FMCSA requests public comment from all interested persons on the exemption applications described in this notice. FMCSA will consider all comments received before the close of business on the closing date indicated under the **DATES** section of the notice.

Larry W. Minor,

Associate Administrator for Policy.

[FR Doc. 2026–09388 Filed 5–11–26; 8:45 am]

BILLING CODE 4910–EX–P

DEPARTMENT OF TRANSPORTATION

Pipeline and Hazardous Materials Safety Administration

Hazardous Materials: Notice of Actions on Special Permits

AGENCY: Pipeline and Hazardous Materials Safety Administration (PHMSA), DOT.

ACTION: Notice of actions on special permit applications.

SUMMARY: In accordance with the procedures governing the application for, and the processing of, special permits from the Department of Transportation's Hazardous Material Regulations, notice is hereby given that the Office of Hazardous Materials Safety has granted or denied the application described herein.

DATES: Comments must be received on or before June 11, 2026.

ADDRESSES: Record Center, Pipeline and Hazardous Materials Safety Administration, U.S. Department of Transportation, Washington, DC 20590.

Comments should refer to the application number and be submitted in triplicate. If confirmation of receipt of comments is desired, include a self-addressed stamped postcard showing the special permit number.

FOR FURTHER INFORMATION CONTACT: Donald Burger, Director, Office of

Hazardous Materials Safety Special Permits Program, Pipeline and Hazardous Materials Safety Administration, U.S. Department of Transportation, East Building, PHH-6, 1200 New Jersey Avenue Southeast, Washington, DC 20590-0001, (202) 366-4535.

SUPPLEMENTARY INFORMATION: Copies of the applications are available for inspection in the Records Center, East Building, PHH-6, 1200 New Jersey Avenue Southeast, Washington DC.

This notice of receipt of applications for special permit is published in accordance with part 107 of the Federal

hazardous materials transportation law (49 U.S.C. 5117(b); 49 CFR 1.53(b)).

Issued in Washington, DC, on May 6, 2026.

Donald P. Burger,

Director, Special Permits Program.

Application No.	Applicant	Regulation(s) affected	Nature of the special permits thereof
Special Permits Data—Granted			
8757-M	Milton Roy, LLC	173.201(c), 173.202(c), 173.203(c), 173.302a(a)(1), 173.304a(a)(1), 180.205.	To modify the special permit to authorize the current revision number for the packaging drawings including a new lower service pressure.
14267-M	United States Department of Energy.	173.417(a), 173.211, 173.244	To modify the special permit to authorize an additional maximum quantity of other fissile radionuclides.
20646-M	Omni Tanker Pty. Ltd.	107.503(b), 107.503(c), 172.102(c)(3), 172.102(c)(7)(ii), 178.274(b), 178.274(c), 178.274(d).	To modify the special permit to authorize additional packaging construction specifications and additional hazardous materials.
20902-M	Eastern Upper Peninsula Transportation Authority.	176.164(e)	To modify the special permit to authorize additional hazardous material.
21691-N	Amtrol-Alfa, Metalomecânica, S.A.	173.304a	To authorize the manufacture, mark, sale and use of a non-DOT specification refillable welded steel cylinder for the transportation in commerce of the hazardous materials authorized by this special permit.
21784-M	Daicel Safety Systems (Jiangsu) Co., Ltd.	173.301(a), 178.65(c)(3), 173.302(a)(1).	To modify the special permit to authorize an additional airbag inflator.
22008-M	Beta Technologies, Inc.	172.101(j)	To modify the special permit to increase the authorized mass of the battery and to remove the CX300 reference.
22042-N	Jaguar Land Rover Limited	172.102(c)(2)	To authorize the transportation in commerce of lithium-ion batteries that exceed 35 kg net weight aboard cargo-only aircraft.
22106-N	Veolia ES Technical Solutions, LLC.	173.21(b), 173.51(a), 173.54(a), 173.56(b).	To authorize the one-time, one-way transportation of a forbidden explosive for disposal.
22137-N	Daicel Safety Systems Europe Sp. z o. o.	173.301(a)(1), 173.302(a)(1), 178.65(c)(3).	To authorize the manufacture, mark, sale, and use of non-DOT specification cylinders (pressure vessels) for use as components of automobile vehicle safety systems.
22149-N	Apex Technology, Inc.	173.185(a)(1), 173.301(f)(1)	To authorize the one-time, one-way transportation in commerce of non-DOT specification composite over-wrapped pressure vessels (COPV) that are not equipped with a pressure relief device and non-specification packagings (service manifold tube assembly) both containing Division 2.2 gases and are integrated into a spacecraft (i.e., the primary structure and core subsystem).
22152-N	Greif Packaging LLC	172.203(a), 172.301(c), 178.601(e) ..	To authorize the manufacture, mark, sale and use of UN 1A1 and 1A2 steel drums, which are subject to alternate testing procedures.
22155-N	Spire Missouri Inc.	171.8, 173.242(c), 177.834(h), 180.605(d).	To authorize the transportation in commerce of UN3336, mercaptans, liquid, flammable, n.o.s. or mercaptan mixture, liquid, flammable, n.o.s. within non-specification non-bulk and bulk packagings permanently attached to trailers.
22161-N	North Coast Container, LLC	172.203(a), 172.301(c), 178.601(e) ..	To authorize UN 1A1 and UN 1A2 steel drums that have had an alternative periodic retest performed to be used for the transportation in commerce of the hazardous materials identified in the special permit.
22199-N	Li-S Energy Limited	173.185(a)(1)	To authorize the transportation in commerce of low production lithium metal sulfur cells that have not been demonstrated by testing to pass all required tests as specified in the in the UN Manual of Tests and Criteria.
22231-N	Benelux Imaging B.V.	172.101, 172.301(c), 173.232(h)(2) ..	To authorize the transportation in commerce of magnetic resonance imaging (MRI) equipment (classified as UN3538) via cargo-only aircraft.
22253-N	MacDonald, Dettwiler and Associates Ltd.	173.301(f), 173.302a(a)	To authorize the transportation in commerce of non-DOT specification cylinders installed in a satellite.
22256-N	Brenntag Mid-South, Inc.	173.24(c)	To authorize the transportation in commerce of unauthorized packaging containing solid sodium hydroxide.

Application No.	Applicant	Regulation(s) affected	Nature of the special permits thereof
22277-N	Michigan State Police	173.315(j)(1)	To authorize the transportation of multiple propane tanks, with varying amounts of propane in them, recovered from Michigan waterways due to severe statewide flooding.
Special Permits Data—Denied			
14867-M	GTM Manufacturing, LLC	173.302(a)(1), 173.304(a)	To modify the special permit to authorize extending the service life of the cylinders beyond 15 years.
21354-M	Resonac America, Inc.	171.23(a)(1), 171.23(a)(3)	To modify the special permit to authorize the cylinders to remain in service beyond five years.
22039-N	U.S. Bureau of Customs and Border Protection.	172.300, 172.400, 173.25, 175.75	To authorize the shipment of radiation detection survey meters, manufactured under DOT-SP 13187, containing Division 2.2 compressed gases in the passenger compartment of commercial aircraft.
22082-N	W. A. Murphy, Inc.	177.835(c), 177.835(d), 177.848(e), 177.848(f).	To authorize the transportation in commerce of hazardous materials contained in a multi-purpose bulk truck (MBT) in combination with a pup trailer carrying additional blasting agents or emulsion.
22163-N	Critical Mineral Recovery, Inc.	173.185(b)(1), 173.185(f)	To authorize the transportation of fully deactivated, damaged lithium-ion cells without inner packaging as specified by 49 CFR §§ 173.185(b) and 173.185(f).
22237-N	American Mobile Research, Inc.	173.201, 173.302, 173.304	To authorize the transportation in commerce of certain hazardous materials in non-DOT specification packaging.
Special Permits Data—Withdrawn			
22243-N	Atlantic Energy Partners ND LLC.	173.35	To authorize the transportation of non-DOT specification intermediate bulk containers (IBC's) mounted on flat-bed trucks and trailers, with loading and unloading operations conducted via electrical pumping systems.
22254-N	Space Exploration Technologies Corp.	173.185(e)(7)	To authorize the transportation in commerce of custom designed prototype lithium batteries from select vendors overseas.
22257-N	Guidance Air Service, LLC ..	172.101(j)(2), 172.200, 172.301(c), 175.75.	To authorize the transportation in commerce of certain hazardous materials to remote areas of the United States by 14 CFR Part 133 cargo-only rotorcraft external load operations.

[FR Doc. 2026-09424 Filed 5-11-26; 8:45 am]

BILLING CODE 4910-60-P

DEPARTMENT OF TRANSPORTATION**Pipeline and Hazardous Materials Safety Administration****Hazardous Materials: Notice of Applications for Modification to Special Permits**

AGENCY: Pipeline and Hazardous Materials Safety Administration (PHMSA), DOT.

ACTION: List of applications for modification of special permits.

SUMMARY: In accordance with the procedures governing the application for, and the processing of, special permits from the Department of Transportation's Hazardous Material Regulations, notice is hereby given that the Office of Hazardous Materials Safety

has received the application described herein.

DATES: Comments must be received on or before May 27, 2026.

ADDRESSES: Record Center, Pipeline and Hazardous Materials Safety Administration, U.S. Department of Transportation, Washington, DC 20590.

Comments should refer to the application number and be submitted in triplicate. If confirmation of receipt of comment(s) is desired, include a self-addressed stamped postcard showing the special permit number.

FOR FURTHER INFORMATION CONTACT: Donald Burger, Director, Office of Hazardous Materials Safety Special Permits Program, Pipeline and Hazardous Materials Safety Administration, U.S. Department of Transportation, East Building, PHH-6, 1200 New Jersey Avenue Southeast, Washington, DC 20590-0001, (202) 366-4535.

SUPPLEMENTARY INFORMATION: Each mode of transportation for which a particular special permit is requested is indicated by a number in the "Nature of Application" portion of the table below as follows: (1) Motor vehicle, (2) Rail freight, (3) Cargo vessel, (4) Cargo aircraft only, (5) Passenger-carrying aircraft.

Copies of the applications are available for inspection in the Records Center, East Building, PHH-6, 1200 New Jersey Avenue Southeast, Washington, DC or at <http://regulations.gov>.

This notice of receipt of applications for special permit is published in accordance with part 107 of the Federal hazardous materials transportation law (49 U.S.C. 5117(b); 49 CFR 1.53(b)).

Issued in Washington, DC, on May 6, 2026.

Donald P. Burger,
Director, Special Permits Program.

SPECIAL PERMITS DATA

Application No.	Applicant	Regulation(s) affected	Nature of the special permits thereof
4661-M	Albemarle U.S. Inc	180.205(b), 180.205(c), 180.205(f), 180.205(g), 180.209(a), 180.213.	To modify the special permit to remove provisions that are not applicable. (modes 1, 2, 3).
14784-M	Weldship LLC	180.209(a), 180.209(b)	To modify the special permit to authorize an additional hazardous material. (modes 1, 2, 3).
15660-M	Versum Materials US, LLC ..	180.209(a), 180.209(b), 180.209(b)(1)(iv).	To modify the special permit to clarify the requalification marking requirements. (modes 1, 2, 3, 4, 5).
16413-M	Amazon.com, Inc	173.159a(c)(2), 173.185(c)(1)(iii), 173.185(c)(1)(iv), 173.185(c)(3), 172.300(a), 172.301(c), 172.315, 173.25(a), 173.150(b), 173.151(b), 173.152(b), 173.153(b), 173.154(b), 173.155(b), 173.306(a), 173.309(d).	To modify the special permit to authorize additional hazardous materials eligible to be shipped as limited quantities by special permit. (modes 1, 2).
20274-M	Bollore Logistics USA Inc	172.101(j), 172.300, 172.400, 173.301, 173.302a(a)(1), 173.304a(a)(2).	To modify the special permit to authorize additional hazardous materials, additional modes of transportation and to update the company name and information. (modes 1, 4).
20275-M	Helicopter Applicators, Inc ...	172.101(j)(1), 172.200, 172.300, 172.400, 175.1.	To modify the special permit to authorize additional hazardous materials. (mode 4).
20396-M	Hexagon Digital Wave LLC	180.205(g)	To modify the special permit to authorize additional packagings designed and homologated to UN/ISO 11515 and DOT-SP 20425. (modes 1, 2, 3).
21074-M	Zhejiang Meenyu Can Industry Co., Ltd.	173.304(a), 173.304(d)	To modify the special permit to authorize an additional inner metal container. (modes 1, 2, 3).
21354-M	Resonac America, Inc	171.23(a)(1), 171.23(a)(3)	To modify the special permit to authorize the export of full cylinders under limited circumstances. (modes 1, 3).
21739-M	G-Shang Metal Corporation	173.301b(a)	To modify the special permit to authorize an additional packaging design. (modes 1, 2, 3, 4, 5).
21890-M	Blue Origin, LLC	173.301(f)(1), 173.302(a)(1), 173.302(b).	To modify the special permit to authorize non-DOT specification cylinders. (modes 1, 3).
21999-M	City of Phoenix	173.220(b)(4)(iii)	To modify the special permit to authorize additional hazardous materials. (modes 1, 4, 5).
22025-M	Bhiwadi Cylinders Private Limited.	173.304(d), 178.33d-2	To modify the special permit to authorize an additional inner receptacle design.
22042-M	Jaguar Land Rover Limited	172.101(j)	To modify the special permit to authorize an additional battery design. (modes 1, 4).
22064-M	Daicel Safety Systems (Thailand) Company Limited.	173.301(a)(1), 173.302(a)(1), 178.65(c)(3).	To modify the special to authorize the transportation of a pressure vessel via cargo vessel. (modes 1, 2, 3, 4).
22087-M	Zipline International Inc	173.1, 173.24, 173.24a, 173.27, 173.159, 173.159a, 173.167, 173.185(c).	To modify the special permit to allow deliveries of hazardous materials from businesses to businesses. (mode 4).
22124-M	Sig Sauer Inc	172.101(i)(3), 172.300, 173.62(c)	To modify the special permit to authorize an additional location and two-way transit. (mode 1).

[FR Doc. 2026-09393 Filed 5-11-26; 8:45 am]

BILLING CODE P

DEPARTMENT OF TRANSPORTATION

Pipeline and Hazardous Materials Safety Administration

Hazardous Materials: Notice of Applications for New Special Permits

AGENCY: Pipeline and Hazardous Materials Safety Administration (PHMSA), DOT.

ACTION: List of applications for special permits.

SUMMARY: In accordance with the procedures governing the application for, and the processing of, special permits from the Department of

Transportation's Hazardous Material Regulations, notice is hereby given that the Office of Hazardous Materials Safety has received the application described herein.

DATES: Comments must be received on or before June 11, 2026.

ADDRESSES: Record Center, Pipeline and Hazardous Materials Safety Administration U.S. Department of Transportation Washington, DC 20590.

Comments should refer to the application number and be submitted in triplicate. If confirmation of receipt of comments is desired, include a self-addressed stamped postcard showing the special permit number.

FOR FURTHER INFORMATION CONTACT: Donald Burger, Director, Office of Hazardous Materials Safety Special

Permits Program, Pipeline and Hazardous Materials Safety Administration, U.S. Department of Transportation, East Building, PHH-6, 1200 New Jersey Avenue Southeast, Washington, DC 20590-0001, (202) 366-4535.

SUPPLEMENTARY INFORMATION: Each mode of transportation for which a particular special permit is requested is indicated by a number in the "Nature of Application" portion of the table below as follows: (1) Motor vehicle, (2) Rail freight, (3) Cargo vessel, (4) Cargo aircraft only, (5) Passenger-carrying aircraft.

Copies of the applications are available for inspection in the Records Center, East Building, PHH-6, 1200

New Jersey Avenue Southeast,
Washington DC.

This notice of receipt of applications
for special permit is published in

accordance with part 107 of the Federal
hazardous materials transportation law
(49 U.S.C. 5117(b); 49 CFR 1.53(b)).

Issued in Washington, DC, on May 4, 2026.

Donald P. Burger,

Director, Special Permits Program.

SPECIAL PERMITS DATA

Application No.	Applicant	Regulation(s) affected	Nature of the Special Permits thereof
22234-N	The Battery Network Inc	173.185(f)	To authorize the one-way transportation of damaged lithium-ion battery modules for disposal and or recycling in UN specification packagings containing more than one battery module per package. (mode 1).
22246-N	Western Digital Technologies, Inc.	172.203(k), 172.301(b), 173.232(f) ...	To authorize the transportation in commerce of certain hazardous material in non-DOT specification packaging. (modes 1, 4).
22251-N	Cirba Solutions Services US, LLC.	49 CFR Part 172 Subparts C-H, 173.185(f)(1).	To authorize the manufacture, mark, sale, and use, of specially designed packagings for the transportation in commerce of damaged, defective, or recalled lithium-ion batteries using alternative hazard communication and alternative training. (modes 1, 2, 5).
22255-N	Our Next Energy Inc	172.101(j)	To authorize the transportation in commerce of lithium-ion batteries that exceed 35 kg net weight aboard cargo-only aircraft. (mode 4).
22258-N	Veolia ES Technical Solutions, LLC.	173.21(b), 173.51, 173.54(a), 173.56(b).	To authorize one-time, one-way transportation of an unapproved fire extinguisher ball for disposal. (mode 1).
22260-N	Trinity Industries, Inc	172.203(a), 173.244(a)(2), 173.314(c).	To authorize the re-stenciling of DOT 105J600W as DOT 105H600W permitting their continued TIH/PIH service for a 50-year lifespan provided they meet the design requirements. (mode 2).
22264-N	Union Pacific Railroad Company.	174.26(b), 174.28(a)	To authorize the transportation in commerce of hazardous materials by rail utilizing a near real-time off-train electronic consist technology. (mode 2).
22265-N	Cedar River Railroad Company.	174.26(b), 174.28(a)	To authorize the transportation in commerce of rail freight during temporary cellular service interruptions that delay electronic updating of train consist information. (mode 2).
22266-N	Grand Trunk Western Railroad Company.	174.26(b), 174.28(a)	To authorize the transportation in commerce of rail freight during temporary cellular service interruptions that delay electronic updating of train consist information. (mode 2)..
22267-N	Iowa Northern Railway Company.	174.26(b), 174.28(a)	To authorize the transportation in commerce of rail freight during temporary cellular service interruptions that delay electronic updating of train consist information. (mode 2).
22268-N	Illinois Central Railroad Company.	174.26(b), 174.28(a)	To authorize the transportation in commerce of rail freight during temporary cellular service interruptions that delay electronic updating of train consist information. (mode 2).
22269-N	Wisconsin Central Ltd	174.26(b), 174.28(a)	To authorize the transportation in commerce of rail freight during temporary cellular service interruptions that delay electronic updating of train consist information. (mode 2).
22271-N	Compagnie Des Chemins De Fer Nationaux Du Canada.	174.26(b), 174.28(a)	To authorize the transportation in commerce of rail freight during temporary cellular service interruptions that delay electronic updating of train consist information. (mode 2).
22272-N	Chicago, Central & Pacific Railroad Company.	174.26(b), 174.28(a)	To authorize the transportation in commerce of rail freight during temporary cellular service interruptions that delay electronic updating of train consist information. (mode 2).
22273-N	Bessemer and Lake Erie Railroad Company.	174.26(b), 174.28(a)	To authorize the transportation in commerce of rail freight during temporary cellular service interruptions that delay electronic updating of train consist information. (mode 2).
22274-N	BNSF Railway Company	174.26(b), 174.28(a)	To authorize the transportation in commerce of rail freight during temporary cellular service interruptions that delay electronic updating of train consist information. (mode 2).
22275-N	Anduril Industries, Inc	172.101(j), 173.185(a)	To authorize the transportation in commerce of a prototype lithium-ion battery pack exceeding 35 kilograms by cargo-only aircraft. (mode 4).
22279-N	Arkedge Space Inc	173.185(a)	To authorize transportation in commerce of a prototype lithium-ion battery by cargo-only aircraft. (mode 4).

SPECIAL PERMITS DATA—Continued

Application No.	Applicant	Regulation(s) affected	Nature of the Special Permits thereof
22280–N	Impulse Space, Inc	173.301(f), 173.304a(a)(1)	To authorize the transportation in commerce of non-DOT specification Composite Overwrapped Pressure Vessels (COPVs) that are not equipped with pressure relief devices for use within a spacecraft propulsion system. (mode 1).
22281–N	Mott Corporation	172.101(j), 173.2, 173.212, 173.241, 176.83.	To authorize the transportation in commerce of certain Division 4.2 solid materials in non-DOT specification gas purification equipment. (modes 1, 2, 3, 4).
22282–N	Cirba Solutions Services US, LLC.	172.102(b)(1), 172.200, 172.300, 172.400, 172.500, 172.600, 172.700(a), 173.159a(c)(2), 173.185(c)(1)(v).	To authorize the manufacture, mark, sale and use of non-DOT specification packaging for the transportation in commerce of end-of-life lithium-ion cells and batteries and lithium metal cells and batteries and those contained in and packed with equipment for recycling, reuse, refurbishment, repurposing or evaluation. (modes 1, 2, 3, 5).

[FR Doc. 2026–09392 Filed 5–11–26; 8:45 am]

BILLING CODE 4910–60–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

Agency Information Collection Activities; Comment Request on Reporting Requirements for Recipients of Points Paid on Residential Mortgages and Mortgage Interest Statement.

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of information collection; request for comments.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995, the IRS is inviting comments on the information collection request outlined in this notice.

DATES: Written comments should be received on or before July 13, 2026 to be assured of consideration.

ADDRESSES: Direct all written comments to Andres Garcia, Internal Revenue Service, Room 6526, 1111 Constitution Avenue NW, Washington, DC 20224, or by email to pra.comments@irs.gov. Include “OMB Control No. 1545–1380” in the subject line of the message.

FOR FURTHER INFORMATION CONTACT: View the latest drafts of the tax forms related to the information collection listed in this notice at <https://www.irs.gov/draft-tax-forms>. Requests for additional information or copies of this collection should be directed to Jason Schoonmaker, (801) 620–6008.

SUPPLEMENTARY INFORMATION: The IRS, in accordance with the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3506(c)(2)(A)), provides the general public and Federal agencies with an

opportunity to comment on proposed, revised, and continuing collections of information. This helps the IRS assess the impact and minimize the burden of its information collection requirements. Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record, and viewable on relevant websites. For this reason, please do not include in your comments information of a confidential nature, such as sensitive personal information.

Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency’s estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Title: Reporting Requirements for Recipients of Points Paid on Residential Mortgages and Mortgage Interest Statement.

OMB Control Number: 1545–1380.

Form Number: 1098.

Regulation Project Number: TD 8191 as amended by TD 8507, TD 8571, TD 8734, and TD 9849.

Abstract: Internal Revenue Code (IRC) section 6050H provides that an information return must be made by any person who is engaged in a trade or business and who, during that trade or business, receives from any individual

\$600 or more of interest on any mortgage in a calendar year. Any person required to make an information return under IRC section 6050H also must furnish a statement to the payor of record on or before January 31 of the year following the calendar year in which the interest was received. Form 1098, Mortgage Interest Statement, is used to report mortgage interest (including points) received during the year.

Current Actions: There is no change to the previously approved information collection.

Type of Review: Extension of a currently approved collection.

Affected Public: Business or other for-profit organizations.

Estimated Number of Responses: 75,912,060.

Estimated Time per Response: 15 minutes.

Estimated Total Annual Burden Hours: 18,946,931.

Dated: May 8, 2026.

Jason M. Schoonmaker,
Tax Analyst.

[FR Doc. 2026–09396 Filed 5–11–26; 8:45 am]

BILLING CODE 4831–GV–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

Agency Information Collection Activities; Requesting Comment Notice of Recapture Event for New Markets Credit

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of information collection; request for comments.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995, the IRS is inviting comments on the

information collection request outlined in this notice.

DATES: Written comments should be received on or before July 13, 2026 to be assured of consideration.

ADDRESSES: Direct all written comments to Andres Garcia, Internal Revenue Service, Room 6526, 1111 Constitution Avenue NW, Washington, DC 20224, or by email to pra.comments@irs.gov. Include "OMB Control No. 1545-2066" in the subject line of the message.

FOR FURTHER INFORMATION CONTACT:

View the latest drafts of the tax forms related to the information collection listed in this notice at <https://www.irs.gov/draft-tax-forms>. Requests for additional information or copies of this collection should be directed to Jason Schoonmaker, (801) 620-6008.

SUPPLEMENTARY INFORMATION: The IRS, in accordance with the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3506(c)(2)(A)), provides the general public and Federal agencies with an opportunity to comment on proposed, revised, and continuing collections of information. This helps the IRS assess the impact and minimize the burden of its information collection requirements. Comments submitted in response to this notice will be summarized and/or included in the request for OMB approval. All comments will become a matter of public record, and viewable on relevant websites. For this reason, please do not include in your comments information of a confidential nature, such as sensitive personal information. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Title: Notice of Recapture Event for New Markets Credit.

OMB Control Number: 1545-2066.

Form Number: 8874-B.

Abstract: Community Development Entities (CDEs) must provide notification to any taxpayer holder of a qualified equity investment (including prior holders) that a recapture event has occurred. This form is used to make the

notification as required under Regulations section 1.45D-1(g)(2)(i)(B).

Current Actions: There is no change to the previously approved information collection.

Type of Review: Extension of a currently approved collection.

Affected Public: Individuals or households.

Estimated Number of Responses: 500.

Estimated Time per Response: 5 hours 30 minutes.

Estimated Total Annual Burden Hours: 2,755.

Dated: May 8, 2026.

Jason M. Schoonmaker,
Tax Analyst.

[FR Doc. 2026-09397 Filed 5-11-26; 8:45 am]

BILLING CODE 4831-GV-P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

Agency Information Collection Activities; Comment Request on Tip Reporting Alternative Commitment (TRAC) Agreement for Use in the Cosmetology and Barber Industry

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of information collection; request for comments.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995, the IRS is inviting comments on the information collection request outlined in this notice.

DATES: Written comments should be received on or before July 13, 2026 to be assured of consideration.

ADDRESSES: Direct all written comments to Andres Garcia, Internal Revenue Service, Room 6526, 1111 Constitution Avenue NW, Washington, DC 20224, or by email to pra.comments@irs.gov. Include "OMB Control No. 1545-1529" in the subject line of the message.

FOR FURTHER INFORMATION CONTACT:

Requests for additional information or copies of this collection should be directed to Jason Schoonmaker, (801) 620-6008.

SUPPLEMENTARY INFORMATION: The IRS, in accordance with the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3506(c)(2)(A)), provides the general public and Federal agencies with an opportunity to comment on proposed, revised, and continuing collections of information. This helps the IRS assess the impact and minimize the burden of its information collection requirements. Comments submitted in response to this notice will be summarized and/or

included in the request for OMB approval. All comments will become a matter of public record, and viewable on relevant websites. For this reason, please do not include in your comments information of a confidential nature, such as sensitive personal information. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Title: Tip Reporting Alternative Commitment (TRAC) Agreement for Use in the Cosmetology and Barber Industry.

OMB Control Number: 1545-1529.

Regulation Project Number:
Announcement 2000-21.

Abstract: Announcement 2000-21, 2000-19 I.R.B. 983, and Announcement 2001-1, 2001-2 I.R.B. 277, contains information required by the Internal Revenue Service in its compliance efforts to assist employers and their employees in understanding and complying with section 6053(a), which requires employees to report all their tips monthly to their employers.

Current Actions: There is no change to the previously approved information collection.

Type of Review: Extension of a currently approved collection.

Affected Public: Business or other-for-profit organizations.

Estimated Number of Responses:
4,600.

Estimated Time per Response: 9 hours 22 minutes.

Estimated Total Annual Burden Hours: 43,073.

Dated: May 8, 2026.

Jason M. Schoonmaker,
Tax Analyst.

[FR Doc. 2026-09395 Filed 5-11-26; 8:45 am]

BILLING CODE 4831-GV-P

DEPARTMENT OF THE TREASURY**Agency Information Collection Activities; Submission for OMB Review; Comment Request; Opportunity Zones Nomination Tool**

AGENCY: Departmental Offices, U.S. Department of the Treasury.

ACTION: Notice of information collection; request for comment.

SUMMARY: The Department of the Treasury will submit the following information collection request to the Office of Management and Budget (OMB) for review and clearance in accordance with the Paperwork Reduction Act of 1995, on or after the date of publication of this notice. The public is invited to submit comments on this request.

DATES: Comments should be received on or before June 11, 2026 to be assured of consideration.

ADDRESSES: Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting “Currently under 30-day Review—Open for Public Comments” or by using the search function.

FOR FURTHER INFORMATION CONTACT: Copies of the submissions may be obtained from Spencer W. Clark by emailing PRA@treasury.gov, calling (202) 927–5331, or viewing the entire information collection request at www.reginfo.gov.

SUPPLEMENTARY INFORMATION:

Community Development Institutions Fund (CDFI)

1. *Title:* Opportunity Zones Nomination Tool.

OMB Control Number: 1559–0049.

Type of Request: Reinstatement with change of a previously approved collection.

Description: The Tax Cuts and Jobs Act of 2017 (TCJA; Pub. L. 115–97) created a tax incentive for investors who reinvest eligible capital gains into Qualified Opportunity Funds (QOFs) that in turn deploy these resources into certain distressed census tracts in the 50 states, U.S. Territories, and the District of Columbia (collectively, “States”) which may be designated as Qualified Opportunity Zones (QOZs). A QOF is an investment vehicle that is organized as a corporation or partnership for the purpose of investing in QOZ property (other than another QOF). QOZs are certain low-income community (LIC) eligible census tracts nominated by the States, and certified and designated by the Secretary of the Treasury (Secretary). Taxpayers who invest in a QOZ can receive certain tax benefits for their investments as an incentive to improve economic growth and job creation in underserved communities. Section 70421 of the One Big Beautiful Bill Act (OBBBA, Pub. L. 119–21), signed into law on July 4, 2025, made the QOZ incentives permanent and, pertinent to this collection of information, established new dates by which eligible census tracts may be nominated as a QOZ by the Chief Executive Officer (CEO) of a State. The

designation period for the first set of new QOZs will begin on July 1, 2026, with additional rounds of designations to follow every ten years thereafter. Newly approved designations will become effective as of January 1, 2027, and will remain in effect for a similar ten-year period. To take advantage of this incentive, State CEOs must nominate eligible census tracts for designation as a QOZ during a 90-day period, subject to a single 30-day extension period, beginning on July 1, 2026. The Secretary certifies such nominations and designates the eligible census tract as a QOZ within 30 days of receiving notice from the CEO that the State has made its nomination. In response to these statutory requirements, the CDFI Fund will reinstate the OZ Nomination Tool, which will assist the Secretary in the certification and designation process.

Form: Opportunity Zone Nomination Tool.

Affected Public: State, Local and Tribal Governments.

Estimated Number of Respondents: 56.

Frequency of Response: Once.

Estimated Total Number of Annual Responses: 56.

Estimated Time per Response: 1 Hour.

Estimated Total Annual Burden Hours: 56.

(Authority: 44 U.S.C. 3501 *et seq.*)

Spencer W. Clark,

Treasury PRA Clearance Officer.

[FR Doc. 2026–09437 Filed 5–11–26; 8:45 am]

BILLING CODE 4830–01–P



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Part II

Securities and Exchange Commission

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail Incurred Prior to January 1, 2022; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105407; File No. SR–IEX–2026–12]

Self-Regulatory Organizations; Investors Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail Incurred Prior to January 1, 2022

May 7, 2026.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 24, 2026, the Investors Exchange LLC (“IEX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Act,³ the Exchange is filing with the Commission a proposed rule change to establish fees for Industry Members⁴ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the

Company”)⁵ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available at the Exchange’s website at <https://www.iexexchange.io/resources/regulation/rule-filings> and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁶ On November 15, 2016, the Commission approved the CAT NMS Plan.⁷ Under the CAT NMS Plan, the Operating Committee has the discretion

to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁸ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁹ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.¹⁰

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹¹

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹² In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and

⁸ Section 11.1(b) of the CAT NMS Plan.

⁹ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

¹⁰ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹¹ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹² Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ 15 U.S.C. 78s(b)(1).

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See IEX Rule 11.610(u); see also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See IEX Rule 11.610.

⁵ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁶ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁷ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹³

Each Historical CAT Assessment to be paid by CEBBs and CEBSs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹⁴ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled

as ‘Consolidated Audit Trail Funding Fees.’”¹⁵ The Plan further states that “Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment.”¹⁶ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁷

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁸ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁹ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.²⁰ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²¹ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.²² The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²³

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²⁴

No.	Field name	Data type	Description	Include key
12. n. 8/13. n. 8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹³ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate.” CAT Funding Model Approval Order at 13450.

¹⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁵ Section 11.1(b) of the CAT NMS Plan.

¹⁶ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁷ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁸ Securities Exchange Act Rel. No. 100945 (Sept. 5, 2024), 89 FR 74000 (Sept. 11, 2024) (SR-IEX–2024–15).

¹⁹ See IEX Fee Schedule—Consolidated Audit Trail Funding Fees (a)(1).

²⁰ In response to the Eleventh Circuit’s decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²¹ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²² In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT

Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²³ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

EQUITY ORDER TRADE (EOT)²⁴—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁵

No.	Field name	Data type	Description	Include key
16. n. 13/17. n. 13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁶

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be

counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁷

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁸ Historical CAT Assessment 1, the

original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBSS collectively.²⁹ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBSS collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBSS collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs

share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁸ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁹ See Securities Exchange Act Rel. No. 100945 (Sept. 5, 2024), 89 FR 74000 (Sept. 11, 2024) (SR–IEX–2024–15).

²⁴ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²⁵ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁷ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent

and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to

provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”³⁰ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³¹

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22,

2020 (“Pre-FAM Period”) and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (Prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³²

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and

capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the

³⁰ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³¹ See Securities Exchange Act Rel. No. 100945 (Sept. 5, 2024), 89 FR 74000 (Sept. 11, 2024) (SR-IEX-2024-15).

³² With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³³ and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as "CAT LLC"),³⁴ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁵

AWS was engaged by FCAT to provide a broad array of cloud hosting

services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT

NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it "must be sized to receive[,] process and load more than 58 billion records per day,"³⁶ and that "[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data."³⁷ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁸ Phase 2a and Phase 2b Industry Member Data³⁹ (including certain linkages), as well as SIP Data,⁴⁰ reference data and other types of Other Data.⁴¹ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴²

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website

and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴³ for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating

Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

³³ CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³⁴ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁵ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁶ Appendix D-4 of the CAT NMS Plan at n.262.

³⁷ Appendix D-5 of the CAT NMS Plan.

³⁸ See Section 6.3(d) of the CAT NMS Plan.

³⁹ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) ("Phased Reporting Exemptive Relief Order") for a description of Phase 2a and Phase 2b Industry Member Data.

⁴⁰ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴¹ See Appendix C-109 of the CAT NMS Plan.

⁴² Note that the volume data described in this table does not include CAIS data.

⁴³ The term "Bidder" is defined in Section 1.1 of the CAT NMS Plan.

a. FINRA's specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴⁴

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁵ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁶
- Published Technical Specifications and related reporting scenarios

documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁷ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporated ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁸ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁹

⁴⁴ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁵ *Id.*

⁴⁶ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁷ The CAT website is <https://www.catnmsplan.com>.

⁴⁸ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁹ Phased Reporting Exemptive Relief Order at 23079–80.

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁵⁰

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵¹ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and

considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain

modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15,

⁵⁰ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵¹ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage,

allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;

- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry

Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;

- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT,

Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵² The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly

fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these

⁵² Section 9.2 of the CAT NMS Plan.

considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵³ In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP ("RSM"). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800-53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC

determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. ("Peppercomm"). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this

engagement decision after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm's length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company ("Sloane"). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact's history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact's history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones ("FAM Period 1"),⁵⁴ which covers the period from June 22, 2020—July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁵³ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵⁴ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees	-
Legal	481,687
Consulting	137,209
Insurance	-
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁵

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁶ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁷

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM

Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM

Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM

⁵⁵ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁶ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁷ Note that the volume data described in this table does not include CAIS data.

Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work

on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant

to Section 6.6(c)(i) of the CAT NMS Plan;

- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings

and communications, and interfacing with law firms and the SEC;

- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;

- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public

comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁸ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2**
Capitalized Developed Technology Costs:thnsp;*	\$6,761,094
Technology Costs	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

*The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁹

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁵⁸ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁹ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of

capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the

capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁶⁰

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶¹

	Date range: 8/1/20—12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry

Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and

⁶⁰ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶¹ Note that the volume data described in this table does not include CAIS data.

implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee

rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT

NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin.

CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton.

CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the

CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶² which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶³

⁶² Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶³ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶⁴

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁵

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21/ to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT

described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT's activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

⁶⁴ See definition of "Full Availability and Regulatory Utilization of Transactional Database Functionality" in Section 1.1 of the CAT NMS Plan.

⁶⁵ Note that the volume data described in this table does not include CAIS data.

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁶ and assessed legal matters regarding the

⁶⁶ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

SEC's October 29, 2021 order denying the proposed Plan amendment.⁶⁷

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁸ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁹

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among

other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution.

⁶⁷ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁸ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁹ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁷⁰

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related

to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018*
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

*The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry

Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale

⁷⁰In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin.

From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's

performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷¹ which was the date by which Participants were required to begin reporting to the CAT.⁷² As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition

⁷¹ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷² The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷³ The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷⁴ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁵ In addition, in establishing a Historical Recovery Period of 24

months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁶ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁷

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁸

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁸⁰

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸¹

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸²

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸³ This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸⁴

⁸¹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸² Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸³ As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸⁴ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷⁴ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁵ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁶ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁷ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁹ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁸⁰ CAT Funding Model Approval Order at 13452.

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁵

The CAT NMS Plan further states that "Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs."⁸⁶

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁷ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁸ Proposed paragraph (a)(2)(A) of the Consolidated Audit Trail Funding Fees section of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph (a)(2)(B) of the Consolidated Audit Trail Funding Fees section of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph (b)(1) of the Consolidated Audit Trail Funding Fees section of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected."⁸⁹ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁹⁰ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹¹

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹²

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical

CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the Consolidated Audit Trail Funding Fees section of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the Consolidated Audit Trail Funding Fees section of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the Consolidated Audit Trail Funding Fees section of the fee schedule.

⁸⁵ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁶ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁷ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁸ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁹ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁹⁰ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹¹ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹² Section 11.3(b)(iii)(A) of the CAT NMS Plan.

Proposed paragraph (a)(2)(A) of the Consolidated Audit Trail Funding Fees section of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the Consolidated Audit Trail Funding Fees section of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the Consolidated Audit Trail Funding Fees section of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which

Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the Consolidated Audit Trail Funding Fees section of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹³ The Plan Processor has established a billing system for CAT fees.⁹⁴ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁵

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the Consolidated

Audit Trail Funding Fees section of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁶

Such information would provide CEBBs and CEBSSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁷ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on

⁹³ Section 11.4 of the CAT NMS Plan.

⁹⁴ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁵ Section 11.4 of the CAT NMS Plan.

⁹⁶ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁷ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁸ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁹ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”¹⁰⁰ As discussed in detail below, all applicable Financial Accountability

Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰¹ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰² As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰³ Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry

Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰⁴

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁵ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;
- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or

⁹⁸ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹⁹ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁰⁰ Section 11.6(b) of the CAT NMS Plan.

¹⁰¹ Section 11.6 of the CAT NMS Plan.

¹⁰² The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰⁴ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁵ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member’s system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

- When routing an order, whether the order was routed as an intermarket sweep order (“ISO”).

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁶

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)” was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information” was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is “consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Options 2b

file submission and data integrity validations.’”¹⁰⁷ The Phase 2b Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member.

Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member’s order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁸

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Options 2b file submission and data integrity validations” was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying

Information” was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines “Full Implementation of Core Equity Reporting” as:

the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of

¹⁰⁶ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁷ FAM Adopting Release at 31330, n.98.

¹⁰⁸ Phased Reporting Exemptive Relief Order at 23078.

the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁹ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹¹⁰ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- "Production Go-Live for Equities 2a Intrafirm Linkage validations" was completed on 7/27/2020;¹¹¹
- "Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020; and
- "Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool

that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹² As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹³

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹⁴

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality.

¹¹² At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to "provide Participants and the SEC with access to all CAT Data stored in the Central Repository" via an "online targeted query tool," and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will "deliver large sets of data that can then be used in internal surveillance or market analysis applications."

¹¹³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹⁴ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) ("Settlement Exemptive Order").

Section 1.1 of the CAT NMS Plan defines "Full Availability and Regulatory Utilization of Transactional Database Functionality" as:

the point at which: (a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the "Full Availability and Regulatory Utilization of

¹¹⁵ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹⁰⁹ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹⁰ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹¹ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁶ FINRA retired OATS effective September 1, 2021.¹¹⁷ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and

including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁸

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁹

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member

Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹²⁰

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will

¹¹⁶ *Id.*

¹¹⁷ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹⁸ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁹ *Id.* at 23079.

¹²⁰ *Id.*

include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²¹

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²² The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry Members)" was completed on April 26, 2021;
- "LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)" was completed on April 26, 2021;
- "FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)" was completed on December 13, 2021;
- "Production Go-Live for Options 2d reporting requirements (Large Industry Members)" was completed on December 13, 2021;
- "Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)" was completed on December 13, 2021;
- "Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)" was completed on December 13, 2021;
- "Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)" was completed on December 13, 2021;
- "LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)" was completed on December 13, 2021; and
- "LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c

and 2d (Small Industry Members)" was completed on December 13, 2021.¹²³

The third prong of "Full Availability and Regulatory Utilization of Transactional Database Functionality" also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of "Full Availability and Regulatory Utilization of Transactional Database Functionality" requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²⁴

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to "develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository." The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁵

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁶

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses

incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones ("FAMs") for Periods 1 through 3.¹²⁷ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes ("RFQs") that are not immediately actionable ("NIA Electronic RFQ Responses") affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered "orders" reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are "orders," as the definition of "order" is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members', not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that "Industry Members must determine whether trading interest falls within the definition of an 'order' for CAT

¹²³ See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁶ Settlement Exemptive Order at 77129 n.13.

¹²⁷ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²¹ *Id.* at 23079–80.

¹²² See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

purposes. To the extent an NIA Electronic RFQ Response is not considered an “order” as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁸

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁹ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹³⁰

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to

NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³¹ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³²

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³³ The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³⁴ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes

Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁵ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁶ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁷

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes

¹³⁵ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁶ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁷ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹²⁸ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁹ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹³⁰ *Id.*

¹³¹ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³² *Id.* at n.11.

¹³³ See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³⁴ *Id.* at 10.

of determining compliance with any applicable Financial Accountability Milestones.”¹³⁸ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁹ Similarly, the CAT NMS Plan expressly contemplates the Commission’s ability to grant exemptive relief from any CAT NMS Plan requirement.¹⁴⁰

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴¹ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1)

costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as “plan sponsors”), and between the Participants and Industry Members (referred to as “members of the plan sponsors”).¹⁴² Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan

(“Pre-Formation Costs”) were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC’s adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴³

(i) Request for Proposal (“RFP”)

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴⁴

¹⁴³ The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC’s website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴⁴ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and

¹³⁸ *Id.* at 77129 n.12.

¹³⁹ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹⁴⁰ Section 12.3 of the CAT NMS Plan (“[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.”).

¹⁴¹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁴² See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁵ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFI") process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process "to determine the best technical solution for developing a consolidated audit trail." FIF suggested that the Commission "should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group." Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission's initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁶

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁷ As the SEC noted, "[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal ('RFP') was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be

performed, both of which are required considerations to be addressed in the CAT NMS Plan."¹⁴⁸

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁹ As the SEC described in its approval order for the Selection Plan, "[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP ('Bids')—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail ('Plan Processor')."¹⁵⁰ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it "believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail."¹⁵¹

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders' questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the "Selection Plan").¹⁵² The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵³ In approving the Selection Plan, the Commission concluded that "it is reasonably designed to achieve its

objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor."¹⁵⁴

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed "Qualified Bids," and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants' joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a "reasonable approach," that "the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor," and that "the process set forth in the Selection Plan should be permitted to continue":

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve

incorporation of RFP requirements in Appendix D at D–2.

¹⁴⁵ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

¹⁴⁶ Rule 613 Adopting Release at 45738–39.

¹⁴⁷ Rule 613 Adopting Release at 45739.

¹⁴⁸ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) ("Selection Plan Approval Order").

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 11153.

¹⁵¹ *Id.* at 11159.

¹⁵² See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵³ See Selection Plan Approval Order.

¹⁵⁴ Selection Plan Approval Order at 11160.

its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁵

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁶

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer

IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁷ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁸ The Participants filed two supplements to the request for exemptive relief.¹⁵⁹

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁶⁰ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise

would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶¹

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶²

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the

¹⁵⁷ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁸ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁹ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁶⁰ See 2016 Exemptive Order.

¹⁶¹ *Id.* at 11857.

¹⁶² *Id.*

¹⁵⁵ See CAT NMS Plan Approval Order at 84737.

¹⁵⁶ See Section D(11) of Appendix C of the CAT NMS Plan.

270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶³

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶⁴ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁵ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁶ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁷

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁸ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁹

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;

- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda

¹⁶³ Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶⁴ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁵ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁶ March 2013 Exemptive Order at 15772.

¹⁶⁷ *Id.* at 15773.

¹⁶⁸ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁹ See CAT NMS Plan Approval Order.

development, program support and logistics and coordination; and

- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan

adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought

exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT

because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁷⁰

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷¹ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor,

but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷² Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷³

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry

Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷⁴

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional

¹⁷⁰ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷¹ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷² Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷³ Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷⁴ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁵ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁶

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁷

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that

the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁸ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁹ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the

¹⁷⁵ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁶ Strategic Cloud Assessment Article.

¹⁷⁷ *Id.*

¹⁷⁸ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁹ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁸⁰ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission's interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸¹

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is

reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that "the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor," and that "the process set forth in the Selection Plan should be permitted to continue."¹⁸² Following

this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸³ At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that "SIFMA looks forward to commencing work with the SROs and Thesys."¹⁸⁴

As noted in the CAT Funding Model Approval Order, the Commission recognized that "[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members."¹⁸⁵ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably budgeted CAT costs shall include . . . CAIS operating fees."¹⁸⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings "a brief description of the amount and type of the Historical CAT

¹⁸³ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketregrule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸⁴ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁵ CAT Funding Model Approval Order at 13421.

¹⁸⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸¹ Settlement Exemptive Order at 77129–30.

¹⁸² CAT NMS Plan Approval Order at 84737.

Costs, including . . . CAIS operating fees.”¹⁸⁷ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁸ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁹ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁹⁰
- The LTID account information testing environment opened on August 24, 2020.

- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹¹

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹²
 - The full, final CAIS Technical Specifications were published on January 29, 2021.
 - Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹³
- As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of

CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹⁴ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur

¹⁸⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁸ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁹ *Id.* at 23078–79, n.70.

¹⁹⁰ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹¹ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹² The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹³ Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹⁴ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁵

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁷ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁸ In addition, CAT LLC determined that the legal costs incurred for the assistance

with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁹ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.²⁰⁰ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰¹

¹⁹⁹ See, e.g., NASDAQ Equities Rule 4626.

²⁰⁰ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰¹ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰² In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰³ costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a

²⁰² Section 11.1(a)(i) of the CAT NMS Plan.

²⁰³ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁵ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;

- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/acknowledgements) and data sources of self-regulatory organizations independent of CAT; and

- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices.

CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰⁴ to CAT Reporters in the

trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁵ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly,

Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁵ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

²⁰⁴ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT

facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process.

Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁶ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁷ (2) trade details

schemas;²⁰⁸ and (3) CAT billing scenarios.²⁰⁹

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²¹⁰ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹¹ 485 participants and 394 participants attended the two webinars, respectively.

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹²

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹³

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for

12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁸ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁹ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²¹⁰ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹¹ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹² See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹³ See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²⁰⁶ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁷ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (<https://catnmsplan.com/sites/default/files/2023-12/>

Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹⁴ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁵ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act²¹⁶, which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁷ because it provides for the equitable allocation of reasonable dues,

fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act²¹⁸, which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁹ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has

already incurred such development and implementation costs and the proposed Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²¹ Similarly, in approving the

²¹⁴ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²¹⁵ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁶ 15 U.S.C. 78f(b)(5).

²¹⁷ 15 U.S.C. 78f(b)(4).

²¹⁸ 15 U.S.C. 78f(b)(8).

²¹⁹ See Section 6(b)(1) of the Exchange Act.

²²⁰ CAT NMS Plan Approval Order at 84697.

²²¹ CAT NMS Plan Approval Order at 84696.

CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²² As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²³ In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees,

CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²⁴ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁵

Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁶ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁷ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁸

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises

²²⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁵ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁶ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁷ CAT NMS Plan Approval Order at 84801.

²²⁸ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²² CAT Funding Model Approval Order at 13481.

²²³ *Id.*

data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁹

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²³⁰ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³¹ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking

into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³² The services performed by FCAT for each period and the costs related to such services are described above.²³³

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³⁴ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁵ The services performed by Kingland for each period and the costs for each period are described above.²³⁶

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁷ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in

substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁸ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁹ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²⁴⁰ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴¹ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement

²²⁹ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²³⁰ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³¹ See Section 3(a)(2)(B)(i)(a)(II) above.

²³² See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³³ *Id.*

²³⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁵ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁶ *Id.*

²³⁷ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁸ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²⁴⁰ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴¹ *Id.*

with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴² In addition, as described above, CAT LLC determined that it is was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴³

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴⁴ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁵

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁶ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁷ and

because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁸ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁹ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁵⁰ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵¹

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵² CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵³ In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵⁴ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁵

Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁸ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁹ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁵⁰ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵¹ *Id.*

²⁵² Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵³ Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵⁴ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁵ *Id.*

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁶ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁷ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁸ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁹

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁶⁰ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these

²⁵⁶ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁷ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁸ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁹ *Id.*

²⁶⁰ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴³ See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴⁴ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

²⁴⁵ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁶ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁷ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities

types of accounting services.²⁶¹ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶²

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶³

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶⁴

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁵ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the

public record.²⁶⁶ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁷ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁸ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁹ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent

share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁷⁰

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷¹ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷² and, as a result, the magnitude of Historical

²⁶¹ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁶² *Id.*

²⁶³ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁴ *Id.*

²⁶⁵ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁶ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁷ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁸ *Id.*

²⁶⁹ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁷⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷¹ CAT Funding Model Approval Order at 13445, n.677.

²⁷² *Id.* at 13469.

CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷³ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate.”²⁷⁴ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the

projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁵ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁶ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not

²⁷³ See Section 11.3(b) of the CAT NMS Plan.

²⁷⁴ CAT Funding Model Approval Order at 13412.

²⁷⁵ 15 U.S.C. 78f(b)(8).

²⁷⁶ CAT Funding Model Approval Order at 13479–13481.

necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) ²⁷⁷ of the Act.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) ²⁷⁸ of the Act

to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-IEX-2026-12 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-IEX-2026-12. This file number should be included on the subject line if email is used. To help the

Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-IEX-2026-12 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁹

Stephanie J. Fouse,

Assistant Secretary.

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²⁷⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁸ 15 U.S.C. 78s(b)(2)(B).

²⁷⁹ 17 CFR 200.30-3(a)(12).



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Part III

Securities and Exchange Commission

Self-Regulatory Organizations; NYSE National, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE National Schedule of Fees and Rebates To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105408; File No. SR–NYSENAT–2026–07]

Self-Regulatory Organizations; NYSE National, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE National Schedule of Fees and Rebates To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to Section 19(b)(1) ¹ of the Securities Exchange Act of 1934 (“Act”) ² and Rule 19b–4 thereunder, ³ notice is hereby given that, on April 23, 2026, NYSE National, Inc. (“NYSE National” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE National Schedule of Fees and Rebates (“Fee Schedule”) to establish fees for Industry Members ⁴ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the

Company”) ⁵ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. The proposed rule change is available on the Exchange’s website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution. ⁶ On November 15, 2016, the Commission approved the CAT NMS Plan. ⁷ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing

fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants. ⁸ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”). ⁹ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder. ¹⁰

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees). ¹¹

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).” ¹² In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—

⁸ Section 11.1(b) of the CAT NMS Plan.

⁹ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

¹⁰ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹¹ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹² Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See NYSE National Rule 6.6810(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See NYSE National Rule 6.6810.

⁵ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁶ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁷ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹³

Each Historical CAT Assessment to be paid by CEBBs and CEBSs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹⁴ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding

Fees.'" ¹⁵ The Plan further states that "Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment."¹⁶ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁷

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁸ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁹ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.²⁰ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²¹ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.²² The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²³

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²⁴

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹³ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁵ Section 11.1(b) of the CAT NMS Plan.

¹⁶ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁷ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁸ See Securities Exchange Act Release No. 101090 (September 18, 2024), 89 FR 78664 (September 25, 2024) (SR-NYSENAT-2024-25).

¹⁹ See Fee Schedule, paragraph (a)(1)(C) of Consolidated Audit Trail Funding Fees.

²⁰ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model,

the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23-13396 (11th Cir. July 25, 2025).

²¹ CAT Fee Alert 2025-4 (Nov. 25, 2025).

²² In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting

facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²³ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

²⁴ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf ("CAT Reporting Technical Specifications for Plan Participants").

EQUITY ORDER TRADE (EOT)²⁴—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction.. This must be provided if orderID is provided ...	

OPTION TRADE (OT)²⁵

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁶

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a

transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁷

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁸ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁹ As described in the fee filings for

Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and

²⁵ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁷ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the

funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁸ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁹ See Securities Exchange Act Release No. 101090 (September 18, 2024), 89 FR 78664 (September 25, 2024) (SR-NYSENAT-2024-25).

CEBSs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating

fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”³⁰ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³¹

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding

Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (Prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs:	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³²

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security,

resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT's subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to

³⁰ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³¹ See Securities Exchange Act Release No. 101090 (September 18, 2024), 89 FR 78664 (September 25, 2024) (SR-NYSENAT-2024-25).

³² With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³³ and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as “CAT LLC”),³⁴ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁵

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services,

databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to

the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁶ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”³⁷ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁸ Phase 2a and Phase 2b Industry Member Data³⁹ (including certain linkages), as well as SIP Data,⁴⁰ reference data and other types of Other Data.⁴¹ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴²

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

** The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴³ for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

³³ CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³⁴ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁵ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁶ Appendix D–4 of the CAT NMS Plan at n.262.

³⁷ Appendix D–5 of the CAT NMS Plan.

³⁸ See Section 6.3(d) of the CAT NMS Plan.

³⁹ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

⁴⁰ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴¹ See Appendix C–109 of the CAT NMS Plan.

⁴² Note that the volume data described in this table does not include CAIS data.

⁴³ The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴⁴

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁵ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁶
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting

scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁷ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and

Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁸ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁹

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate,

⁴⁴ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁵ *Id.*

⁴⁶ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁷ The CAT website is <https://www.catnmsplan.com>.

⁴⁸ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁹ Phased Reporting Exemptive Relief Order at 23079–80.

CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁵⁰

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵¹ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the

Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

⁵⁰ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵¹ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;

- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting

facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant’s independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;

- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;

- Provided support for updating the SEC on the progress of the development of the CAT;

- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;

- Coordinated efforts regarding the selection of the successor Plan Processor;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and

- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost

comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵² The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;

- Provided cash management and treasury functions;

- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;

- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;

- Prepared tax returns;

- Addressed various accounting, financial and operating inquiries from Participants;

- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;

- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;

- Supported compliance with the CAT NMS Plan;

- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;

- Supported the annual financial statement audits by an independent auditor;

- Reviewed historical costs from inception; and

- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an

⁵² Section 9.2 of the CAT NMS Plan.

agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵³ In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly,

the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public

relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵⁴ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680

⁵³ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵⁴ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
CAIS Operating Fees	254,998
Change Request Fees	
Legal	481,687
Consulting	137,209
Insurance	
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁵

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁶ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁷

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services

provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM

Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after

⁵⁵ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁶ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁷ Note that the volume data described in this table does not include CAIS data.

substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding CAT technical specifications;

- Assisted with third-party vendor agreements; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating

communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁸ which covers the period from August 1, 2020—December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2**
Capitalized Developed Technology Costs *	\$6,761,094
Technology Costs	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁹

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁵⁸ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁹ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁶⁰

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶¹

Date range: 8/1/20–12/31/20	
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry

Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and

⁶⁰ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶¹ Note that the volume data described in this table does not include CAIS data.

implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee

rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT

NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin.

CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton.

CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the

CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶² which covers the period from January 1, 2021—December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3 **
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶³

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁶² Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶³ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶⁴

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁵

	Date Range: 1/1/21 to 4/25/21	Date Range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor

Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance

Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;

⁶⁴ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁵ Note that the volume data described in this table does not include CAIS data.

- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application

development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;

- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁶ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁷

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁸ CAT LLC

⁶⁶ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁷ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁸ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16,

interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁹

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁹ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to

the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁷⁰

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan

Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017– November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083

incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;

⁷⁰ In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services

related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷¹ which was the date by which Participants were required to begin reporting to the CAT.⁷² As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512

⁷¹ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷² The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

was invoiced collectively to CEBBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷³ The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷⁴ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁵ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁶ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁷

⁷³ Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷⁴ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁵ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁶ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁷ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁸

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁸⁰

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be

⁷⁸ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁹ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁸⁰ CAT Funding Model Approval Order at 13452.

11,961,875,098,720.98 executed equivalent shares.⁸¹

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸²

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸³ This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸⁴

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs and such other additional Past CAT Costs as

⁸¹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸² Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸³ As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸⁴ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁵

The CAT NMS Plan further states that “Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs.”⁸⁶

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁷ A CEBB or CEBS’s fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁸ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and “would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect.” Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, “[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected.”⁸⁹ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁹⁰ The actual

recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹¹

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange’s fee schedule for “Consolidated Audit Trail Funding Fees”, and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹²

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing

Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that

⁸⁵ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁶ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants’ one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁷ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁸ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁹ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁹⁰ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, it is appropriate for Industry Members to be

charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected.” CAT Funding Model Approval Order at 13452.

⁹¹ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹² Section 11.3(b)(iii)(A) of the CAT NMS Plan.

“[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating

Committee to establish a system for the collection of CAT fees.⁹³ The Plan Processor has established a billing system for CAT fees.⁹⁴ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁵

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker.

⁹³ Section 11.4 of the CAT NMS Plan.

⁹⁴ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁵ Section 11.4 of the CAT NMS Plan.

At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁶

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁷ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁸ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have

⁹⁶ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁷ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁸ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁹ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”¹⁰⁰ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been

achieved”¹⁰¹ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰² As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰³ Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰⁴

¹⁰¹ Section 11.6 of the CAT NMS Plan.

¹⁰² The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰⁴ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁵ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative

provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁵ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

⁹⁹ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁰⁰ Section 11.6(b) of the CAT NMS Plan.

order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;
- Special handling instructions for the original receipt or origination of an order during Phase 2a; and
- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁶

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'" ¹⁰⁷ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order

handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁸

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-

Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" as: the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁹ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a

¹⁰⁶ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁷ FAM Adopting Release at 31330, n.98.

¹⁰⁸ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁹ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹¹⁰ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹¹
- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and
- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹² As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹³

¹¹⁰ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹¹ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹² At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹⁴

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBSSs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as:

the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at

a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁶ FINRA retired OATS effective September 1, 2021.¹¹⁷ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order

¹¹⁵ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁶ *Id.*

¹¹⁷ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹⁴ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer order(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁸

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT

Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁹

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to

Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹²⁰

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter’s order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²¹

The Quarterly Progress Report for the fourth quarter of 2021 states that “Phase 2a was fully implemented as of October 26, 2020;” “Phase 2b was fully implemented as of January 4, 2021;” “Phase 2c was implemented as of April 26, 2021;” and “Phase 2d was fully implemented as of December 13, 2021.”¹²² The Quarterly Progress Reports for 2021 provide additional

¹²⁰ *Id.*

¹²¹ *Id.* at 23079–80.

¹²² See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁸ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁹ *Id.* at 23079.

detail regarding the implementation of these steps including the following:

- “Production Go-Live for Equities 2c reporting requirements (Large Industry Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²³

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool

functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²⁴

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁵

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁶

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁷ As discussed below, none

¹²⁴ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁶ Settlement Exemptive Order at 77129 n.13.

¹²⁷ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish

of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁸

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁹ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to

four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁸ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁹ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²³ See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹³⁰

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³¹ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³²

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry

Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³³ The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³⁴ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁵ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁶ Here, the

2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁷

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁸ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁹ Similarly, the CAT NMS Plan

conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁷ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁸ *Id.* at 77129 n.12.

¹³⁹ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms

Continued

¹³⁰ *Id.*

¹³¹ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³² *Id.* at n.11.

¹³³ See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³⁴ *Id.* at 10.

¹³⁵ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁶ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the

expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹⁴⁰

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴¹ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior

and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system." 17 CFR 242.608(e).

¹⁴⁰ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.")

¹⁴¹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan sponsors").¹⁴² Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs

¹⁴² See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴³

(i) Request for Proposal ("RFP")

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴⁴

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁵ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFI") process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process "to determine the best technical solution for developing a consolidated audit trail." FIF suggested that the Commission "should outline a set of goals and guiding principles they

¹⁴³ The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC's website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴⁴ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁵ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁶

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁷ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁸

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁹ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate,

and maintain the consolidated audit trail (‘Plan Processor’).”¹⁵⁰ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵¹

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵² The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵³ In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵⁴

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible

bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval

¹⁴⁶ Rule 613 Adopting Release at 45738–39.

¹⁴⁷ Rule 613 Adopting Release at 45739.

¹⁴⁸ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 11153.

¹⁵¹ *Id.* at 11159.

¹⁵² See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵³ See Selection Plan Approval Order.

¹⁵⁴ Selection Plan Approval Order at 11160.

standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁵

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁶

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined

advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁷ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁸ The Participants filed two supplements to the request for exemptive relief.¹⁵⁹

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁶⁰ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶¹

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise

undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶²

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶³

In recognition of the need for additional time to refine the technical description of and requirements for the

¹⁵⁷ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁸ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁹ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁶⁰ See 2016 Exemptive Order.

¹⁶¹ *Id.* at 11857.

¹⁶² *Id.*

¹⁶³ Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁵⁵ See CAT NMS Plan Approval Order at 84737.

¹⁵⁶ See Section D(11) of Appendix C of the CAT NMS Plan.

CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶⁴ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁵ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁶ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁷

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁸ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁹

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations

and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm

¹⁶⁴ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁵ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁶ March 2013 Exemptive Order at 15772.

¹⁶⁷ *Id.* at 15773.

¹⁶⁸ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁹ See CAT NMS Plan Approval Order.

were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of

services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security,

operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an

amendment to address several of these expensive Plan requirements.¹⁷⁰

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷¹ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes

industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷² Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷³

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a

uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷⁴

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data,

¹⁷⁰ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷¹ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷² Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷³ Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷⁴ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁵ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resiliency and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁶

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a

multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁷

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identity management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁸ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁹ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁸⁰ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the

¹⁷⁵ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁶ Strategic Cloud Assessment Article.

¹⁷⁷ *Id.*

¹⁷⁸ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁹ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸¹

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesis costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The

remaining Thesis costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesis costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸² Following this process, the Participants notified the Commission of the selection of Thesis as the Initial Plan Processor on January 17, 2017.¹⁸³ At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesis.”¹⁸⁴

¹⁸² CAT NMS Plan Approval Order at 84737.

¹⁸³ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketregrule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸⁴ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesis as CAT Processor (Apr. 4, 2017), [https://www.sifma.org/wp-](https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesis-as-the-CAT-Processor.pdf)

As noted in the CAT Funding Model Approval Order, the Commission recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁵ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁷ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the

[content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesis-as-the-CAT-Processor.pdf](https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesis-as-the-CAT-Processor.pdf).

¹⁸⁵ CAT Funding Model Approval Order at 13421.

¹⁸⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸¹ Settlement Exemptive Order at 77129–30.

development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁸ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁹ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁹⁰
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the

industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹¹

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹²
 - The full, final CAIS Technical Specifications were published on January 29, 2021.
 - Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹³
- As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹⁴ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁵

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁷ In keeping with these

¹⁸⁸ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁹ *Id.* at 23078–79, n.70.

¹⁹⁰ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹¹ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹² The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹³ Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹⁴ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁵ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁸ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the

alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁹ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.²⁰⁰ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰¹

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a

Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰² In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰³ costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT

²⁰² Section 11.1(a)(i) of the CAT NMS Plan.

²⁰³ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁹ See, e.g., NASDAQ Equities Rule 4626.

²⁰⁰ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰¹ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

¹⁹⁸ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/acknowledgements) and data sources of self-regulatory organizations independent of CAT; and

- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT with CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm

specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰⁴ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with

regard to the SRO fees charged in relation to Section 31.²⁰⁵ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC is Not Required to Facilitate CAT Reporters' Ability to Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) *Originating Brokers Versus Executing Brokers*

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the

²⁰⁴ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁵ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁶ However, with the Additional Trade Details provided under the CAT billing approach, in

many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁷ (2) trade details schemas;²⁰⁸ and (3) CAT billing scenarios.²⁰⁹

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²¹⁰ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter

Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹¹ 485 participants and 394 participants attended the two webinars, respectively.

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹²

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹³

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹⁴ For example, the Help Desk assisted with 406 cases related to the billing of

²⁰⁶ "FINRA charges a Regulatory Transaction Fee ("RTF") to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁷ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁸ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁹ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²¹⁰ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹¹ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹² See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹³ See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹⁴ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D. CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁵ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁶ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁷ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁸ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the

provisions of the Exchange Act.²¹⁹ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBSs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1 fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1 fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT.

In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²¹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²² As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has

²¹⁵ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁶ 15 U.S.C. 78f(b)(6).

²¹⁷ 15 U.S.C. 78f(b)(4).

²¹⁸ 15 U.S.C. 78f(b)(8).

²¹⁹ See Section 6(b)(1) of the Exchange Act.

²²⁰ CAT NMS Plan Approval Order at 84697.

²²¹ CAT NMS Plan Approval Order at 84696.

²²² CAT Funding Model Approval Order at 62686.

concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²³ In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the Historical Fee Rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included

in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²⁴ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁵ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the

original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁶ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁷ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁸

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including

²²⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁵ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²⁶ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁷ CAT NMS Plan Approval Order at 84801.

²²⁸ See Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²³ *Id.* at 62662–63.

regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁹

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²³⁰ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³¹ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³² The services performed by FCAT for each period and the costs related to such services are described above.²³³

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³⁴ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be

included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁵ The services performed by Kingland for each period and the costs for each period are described above.²³⁶

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁷ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁸ As noted above, the total costs for change requests through FAM Period

3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁹ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²⁴⁰ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴¹ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴² In addition, as described above, CAT LLC determined that it was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴³

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴⁴ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC,

²²⁹ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²³⁰ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³¹ See Section 3(a)(2)(B)(i)(b) above.

²³² See Sections 3(a)(2)(B)(i)(b), 3(a)(2)(B)(ii)(b), 3(a)(2)(B)(iii)(b) and 3(a)(2)(B)(iv)(b) above.

²³³ *Id.*

²³⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁵ See Sections 3(a)(2)(B)(i)(c), 3(a)(2)(B)(ii)(c), 3(a)(2)(B)(iii)(c) and 3(a)(2)(B)(iv)(c) above.

²³⁶ *Id.*

²³⁷ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁸ See Sections 3(a)(2)(B)(i)(d), 3(a)(2)(B)(ii)(d), 3(a)(2)(B)(iii)(d) and 3(a)(2)(B)(iv)(d) above.

²³⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²⁴⁰ See Sections 3(a)(2)(B)(i)(e), 3(a)(2)(B)(ii)(e), 3(a)(2)(B)(iii)(e) and 3(a)(2)(B)(iv)(e) above.

²⁴¹ *Id.*

²⁴² See Section 3(a)(2)(B)(i)(e) above.

²⁴³ See Section 3(a)(2)(B)(i)(b) above.

²⁴⁴ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁵

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁶ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁷ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁸ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁹ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁵⁰ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the

costs related to such services are described above.²⁵¹

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵² CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵³ In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵⁴ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁵

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁶ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT

project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁷ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁸ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁹

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance[sic] of these considerations.²⁶⁰ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶¹ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶²

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶³

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the

²⁴⁵ See Sections 3(a)(2)(B)(i)(f), 3(a)(2)(B)(ii)(f), 3(a)(2)(B)(iii)(f) and 3(a)(2)(B)(iv)(f) above.

²⁴⁶ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁷ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁸ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁹ See Section 3(a)(2)(B)(i)(g) above.

²⁵⁰ See Sections 3(a)(2)(B)(i)(g), 3(a)(2)(B)(ii)(g), 3(a)(2)(B)(iii)(g) and 3(a)(2)(B)(iv)(g) above.

²⁵¹ *Id.*

²⁵² Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵³ Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵⁴ See Sections 3(a)(2)(B)(i)(h), 3(a)(2)(B)(ii)(h), 3(a)(2)(B)(iii)(h) and 3(a)(2)(B)(iv)(h) above.

²⁵⁵ *Id.*

²⁵⁶ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁷ See Section 3(a)(2)(B)(i)(i) above.

²⁵⁸ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁵⁹ *Id.*

²⁶⁰ See Section 3(a)(2)(B)(i)(i) above.

²⁶¹ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁶² *Id.*

²⁶³ See Section 3(a)(2)(B)(i)(i) above.

effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶⁴

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁵ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁶ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁷ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁸ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁹ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁷⁰

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share

to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷¹ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷² and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described hererin.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷³ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate.”²⁷⁴ Accordingly, the CAT Funding Model

²⁶⁴ *Id.*

²⁶⁵ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁶ See Section 3(a)(2)(B)(i)(j) above.

²⁶⁷ See Sections 3(a)(2)(B)(i)(j), 3(a)(2)(B)(ii)(j), 3(a)(2)(B)(iii)(j) and 3(a)(2)(B)(iv)(j) above.

²⁶⁸ *Id.*

²⁶⁹ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁷⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷¹ CAT Funding Model Approval Order at 13445, n.677.

²⁷² *Id.* at 13469.

²⁷³ See Section 11.3(b) of the CAT NMS Plan.

²⁷⁴ CAT Funding Model Approval Order at 13412.

sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and

options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁵ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services,

efficiency concerns, and capital formation.²⁷⁶ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²⁷⁷ and Rule 19b-4(f)(2) thereunder,²⁷⁸ because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²⁷⁶ CAT Funding Model Approval Order at 13479–13481.

²⁷⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁸ 17 CFR 240.19b-4(f)(2).

²⁷⁵ 15 U.S.C. 78f(b)(8).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSENAT-2026-07 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-NYSENAT-2026-07. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should

submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSENAT-2026-07 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁹

Stephanie J. Fouse,

Assistant Secretary.

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²⁷⁹ 17 CFR 200.30-3(a)(12).



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Part IV

Securities and Exchange Commission

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105409; File No. SR–MIAX–2026–16]

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, Miami International Securities Exchange, LLC (“MIAX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to amend the MIAX Options Exchange Fee Schedule (the “Fee Schedule”) to establish fees for Industry Members ³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the

Company”) ⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-options/all-options-exchanges/rule-filings> and at MIAX’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion

to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).” ¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Exchange Rule 1701(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Exchange Rule 1701.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBSs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled

as ‘Consolidated Audit Trail Funding Fees.’”¹⁴ The Plan further states that “Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment.”¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹² In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate.” CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ Securities Exchange Act Rel. No. 100948 (August 23, 2024), 89 FR 74630 (September 12, 2024) (SR-MIAX-2024-34).

¹⁸ Securities Exchange Act Rel. No. 100827 (August 19, 2024), 89 FR 71472 (September 03, 2024) (SR-MIAX-2024-33).

¹⁹ In response to the Eleventh Circuit’s decision vacating the prior CAT NMS Plan funding model,

the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. *See American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting

facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” *See* CAT Funding Model Approval Order at 13424.

²³ *See* Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

EQUITY ORDER TRADE (EOT)²³—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party ..	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent

share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs

1 from CEBBs and CEBSSs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBSSs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBSSs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBSSs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBSSs via Historical CAT Assessment 1. Historical CAT

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the

funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ Securities Exchange Act Rel. No. 100948 (August 23, 2024), 89 FR 74630 (September 12, 2024) (SR-MIAX-2024-34).

Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the

technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already

funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
<i>Technology Costs</i>	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT,

including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ Securities Exchange Act Rel. No. 100948 (August 23, 2024), 89 FR 74630 (September 12, 2024) (SR-MIAX-2024-34).

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as “CAT LLC”),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by

AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to

the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁵ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program

management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons

for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D–4 of the CAT NMS Plan at n.262.

³⁶ Appendix D–5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C–109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

with the CAT NMS Plan and SEC Rule 613;

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;

- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT

NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporated ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC

(“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS

implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;

- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting

facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant’s independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;

- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;

- Provided support for updating the SEC on the progress of the development of the CAT;

- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;

- Coordinated efforts regarding the selection of the successor Plan Processor;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and

- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost

comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;

- Provided cash management and treasury functions;

- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;

- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;

- Prepared tax returns;

- Addressed various accounting, financial and operating inquiries from Participants;

- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;

- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;

- Supported compliance with the CAT NMS Plan;

- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;

- Supported the annual financial statement audits by an independent auditor;

- Reviewed historical costs from inception; and

- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an

⁵¹ Section 9.2 of the CAT NMS Plan.

agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly,

the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public

relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020—July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM period 1 **
CAIS Operating Fees	254,998
Change Request Fees	
Legal	481,687
Consulting	137,209
Insurance	
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date Range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services

provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff,

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding CAT technical specifications;

- Assisted with third-party vendor agreements; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating

communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020—December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2 **
Capitalized Developed Technology Costs *	\$6,761,094
<i>Technology Costs</i>	\$31,460,033
Cloud Hosting Services	\$20,709,212
Operating Fees	\$9,108,700
CAIS Operating Fees	\$1,590,298
Change Request Fees	\$51,823
Legal	\$2,766,644
Consulting	\$532,146
Insurance	\$976,098
Professional and administration	\$438,523
Public relations	\$41,940
Total Operating Expenses	\$42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁸ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

	Date range: 8/1/20–12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry

Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee

rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT

NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin.

CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton.

CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the

CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶¹ which covers the period from January 1, 2021—December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM period 3**
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶² As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor

Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance

Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;

⁶³ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application

development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Provided assistance with change requests;
- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;
- Assisted with communications with the industry, including CAT Alerts and presentations;
- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;
- Assisted with cost management analysis and proposals; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16,

interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to

the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan

Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083

incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services

related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

was invoiced collectively to CEBBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs and such other additional Past CAT Costs as

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that “Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs.”⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS’s fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and “would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect.” Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, “[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected.”⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual

recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange’s fee schedule for “Consolidated Audit Trail Funding Fees”, and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing

Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants’ one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, it is appropriate for Industry Members to be

charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected.” CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

“[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating

Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker.

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBSS with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been

achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative

provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;
- Special handling instructions for the original receipt or origination of an order during Phase 2a; and
- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'" ¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order

handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-

Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹⁰
- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and
- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBSSs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as:

the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at

a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer order(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT

Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to

Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter’s order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that “Phase 2a was fully implemented as of October 26, 2020;” “Phase 2b was fully implemented as of January 4, 2021;” “Phase 2c was implemented as of April 26, 2021;” and “Phase 2d was fully implemented as of December 13, 2021.”¹²¹ The Quarterly Progress Reports for 2021 provide additional

¹¹⁹ *Id.*

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

detail regarding the implementation of these steps including the following:

- “Production Go-Live for Equities 2c reporting requirements (Large Industry Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool

functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish

of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to

four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry

Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the

2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan

conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms

Continued

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the

expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior

and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system." 17 CFR 242.608(e).

¹³⁹ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.")

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan sponsors").¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal ("RFP")

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFI") process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process "to determine the best technical solution for developing a consolidated audit trail." FIF suggested that the Commission "should outline a set of goals and guiding principles they

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC's website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate,

and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible

bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined

advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise

undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations

and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- Breadth of Cloud Activities. AWS was engaged by FCAT, the Plan Processor, to provide a broad range of

services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- High Data Volume. The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- Plan Requirements. The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- Cost Avoidance Efforts. CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security,

operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which lead to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an

amendment to address several of these expensive Plan requirements.¹⁶⁹

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- **Industry Member Reporting.** In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- **File Submission Process.** The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes

industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- **Error Corrections.** The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- **Data Ingestion Format.** The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a

uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data,

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- **Broad Suitability.** AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- **Proven Scalability.** AWS has demonstrated that it is capable of building and delivering services on a large scale.

- **Track Record of Innovation.** AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- **Resiliency/Dependability.** Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

- **Technical and Customer Support.** AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- **Scale.** AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- **Security.** AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a

multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identity management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesis costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The

remaining Thesis costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesis costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesis as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesis.”¹⁸³

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketregrule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesis as CAT Processor (Apr. 4, 2017), [https://www.sifma.org/wp-](https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesis-as-the-CAT-Processor.pdf)

As noted in the CAT Funding Model Approval Order, the Commission recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁴ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the

[content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesis-as-the-CAT-Processor.pdf](https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesis-as-the-CAT-Processor.pdf).

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the

industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
 - The full, final CAIS Technical Specifications were published on January 29, 2021.
 - Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²
- As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the

alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a

Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- Reconciliation of CAT Invoices to Underlying Trades: Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- Matching Trades to Books and Records: Providing the means to match the underlying trades provided by CAT

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

with CAT invoices to other books and records independently maintained by individual CAT Reporters (*e.g.*, exchange trade journals/acknowledgements) and data sources of self-regulatory organizations independent of CAT; and

- **Order Originator Identification:** Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm

specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (*e.g.*, fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with

regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (*e.g.*, by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, *e.g.*, Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in

many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- **Technical Specifications and Scenarios.** CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- **Industry Webinars.** CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter

Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

- **CAT Alert.** CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- **Frequently Asked Questions (FAQs).** CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- **Substantial Past Experience with CAT Billing Processes.** To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- **Help Desk Assistance.** CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D. CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the

provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT.

In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

²²¹ CAT Funding Model Approval Order at 13481.

concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included

in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the

original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency,

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²² *Id.*

cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁸

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to

CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described

above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

²³¹ See Sections 3(a)(2)(B)(i)(a)(II), 3(a)(2)(B)(i)(b)(II), 3(a)(2)(B)(i)(c)(II) and 3(a)(2)(B)(i)(d)(II) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting

firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration

costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁶¹ *Id.*

the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from

March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate.”²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated

pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan.

Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,²⁷⁶ and Rule 19b-4(f)(2)²⁷⁷ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors,

²⁷² See Section 11.3(b) of the CAT NMS Plan.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁷ 17 CFR 240.19b-4(f)(2).

or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²⁷⁸ and Rule 19b-4(f)(2) thereunder,²⁷⁹ because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings

to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-MIAX-2026-16 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-MIAX-2026-16. This file number should be included on the subject line if email is used. To help the

Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-MIAX-2026-16 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸⁰

Stephanie J. Fouse,
Assistant Secretary.

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²⁷⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁹ 17 CFR 240.19b-4(f)(2).

²⁸⁰ 17 CFR 200.30-3(a)(12).



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Part V

Securities and Exchange Commission

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE Arca Equities Fees and Charges and the NYSE Arca Options Fees and Charges To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105403; File No. SR–NYSEARCA–2026–44]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE Arca Equities Fees and Charges and the NYSE Arca Options Fees and Charges To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b–4 thereunder,³ notice is hereby given that, on April 23, 2026, NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE Arca Equities Fees and Charges (“Equities Fee Schedule”) and the NYSE Arca Options Fees and Charges (“Options Fee Schedule”) to establish fees for Industry Members⁴ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit

Trail, LLC (“CAT LLC” or “the Company”)⁵ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. The proposed rule change is available on the Exchange’s website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁶ On November 15, 2016, the Commission approved the CAT NMS Plan.⁷ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to

operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁸ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁹ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.¹⁰

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹¹

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹² In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the

⁸ Section 11.1(b) of the CAT NMS Plan.

⁹ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

¹⁰ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹¹ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹² Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See NYSE Arca Rule 11.6810(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See NYSE Arca Rule 11.6810.

⁵ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁶ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁷ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBs from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹³

Each Historical CAT Assessment to be paid by CEBBs and CEBs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹⁴ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled

as ‘Consolidated Audit Trail Funding Fees.’”¹⁵ The Plan further states that “Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment.”¹⁶ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁷

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁸ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁹ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.²⁰ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²¹ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.²² The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²³

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²⁴

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade..	C

¹³ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate.” CAT Funding Model Approval Order at 13450.

¹⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁵ Section 11.1(b) of the CAT NMS Plan.

¹⁶ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁷ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁸ See Securities Exchange Act Release No. 101088 (September 18, 2024), 89 FR 78714 (September 25, 2024) (SR–NYSEARCA–2024–77).

¹⁹ See Equities Fee Schedule, paragraph (a)(1)(C) of Consolidated Audit Trail Funding Fees and

Options Fee Schedule, paragraph (a)(1)(C) of Consolidated Audit Trail Funding Fees.

²⁰ In response to the Eleventh Circuit’s decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²¹ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²² In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed*

equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²³ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

EQUITY ORDER TRADE (EOT)²⁴—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided..	

OPTION TRADE (OT)²⁵

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁶

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a

transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁷

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by

the Historical CAT Assessment.”²⁸ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁹ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs

²⁴ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²⁵ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁷ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the

basis for determining and allocating CAT costs during the two-year interim period is appropriate

and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁸ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁹ See Securities Exchange Act Release No. 101088 (September 18, 2024), 89 FR 78714 (September 25, 2024) (SR-NYSEARCA-2024-77).

1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are

provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”³⁰ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³¹

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³²

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following

describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the

capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

³⁰ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³¹ See Securities Exchange Act Release No. 101088 (September 18, 2024), 89 FR 78714 (September 25, 2024) (SR-NYSEARCA-2024-77).

³² With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT's subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³³ and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as "CAT LLC"),³⁴ and FCAT, in turn, paid

AWS. CAT LLC was funded via loan contributions by the Participants.³⁵

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in

excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it "must be sized to receive[,] process and load more than 58 billion records per day,"³⁶ and that "[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data."³⁷ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁸ Phase 2a and Phase 2b Industry Member Data³⁹ (including certain linkages), as well as SIP Data,⁴⁰ reference data and other types of Other Data.⁴¹ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴²

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes) ...	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program

management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴³ for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission,

the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA's specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and

³³ CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³⁴ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁵ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁶ Appendix D-4 of the CAT NMS Plan at n.262.

³⁷ Appendix D-5 of the CAT NMS Plan.

³⁸ See Section 6.3(d) of the CAT NMS Plan.

³⁹ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) ("Phased Reporting Exemptive Relief Order") for a description of Phase 2a and Phase 2b Industry Member Data.

⁴⁰ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴¹ See Appendix C-109 of the CAT NMS Plan.

⁴² Note that the volume data described in this table does not include CAIS data.

⁴³ The term "Bidder" is defined in Section 1.1 of the CAT NMS Plan.

maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴⁴

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁵ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁶
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated testing for Phase 2a and 2b reporting for Industry Members;

- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;

- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;

- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;

- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with Participants, the SEC and its staff;

- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content;⁴⁷ and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and

Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporated ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁸ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁹

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market

⁴⁴ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁵ *Id.*

⁴⁶ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁷ The CAT website is <https://www.catnmsplan.com>.

⁴⁸ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁹ Phased Reporting Exemptive Relief Order at 23079–80.

participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁵⁰

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵¹ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On

April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor

authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018),

⁵⁰ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵¹ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;

- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include

costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant’s independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT

requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in

discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵² The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs

⁵² Section 9.2 of the CAT NMS Plan.

related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵³ In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed

the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise

and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵⁴ which covers the period from June 22, 2020—July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680

⁵³ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵⁴ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1**
CAIS Operating Fees	254,998
Change Request Fees	
Legal	481,687
Consulting	137,209
Insurance	
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁵

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁶ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁷

	Date Range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services

provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

⁵⁵ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁶ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁷ Note that the volume data described in this table does not include CAIS data.

- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;

- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;

- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;

- Assisted with compliance with Regulation SCI;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;

- Assisted with communications and presentations for the industry regarding CAIS;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding CAT technical specifications;

- Assisted with third-party vendor agreements; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model

and assistance with loans and the CAT bank account for CAT funding;

- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;

- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting

such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁸ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBSSs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2**
Capitalized Developed Technology Costs*	\$6,761,094
<i>Technology Costs</i>	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁹

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁵⁸ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁹ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of

capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the

capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁶⁰

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶¹

Date range: 8/1/20–12/31/20	
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry

Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and

⁶⁰ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶¹ Note that the volume data described in this table does not include CAIS data.

implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee

rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT

NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin.

CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton.

CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the

CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶² which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBSSs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶³

⁶² Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶³ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶⁴

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁵

	Date Range: 1/1/21 to 4/25/21	Date Range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT

described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT's activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

⁶⁴ See definition of "Full Availability and Regulatory Utilization of Transactional Database Functionality" in Section 1.1 of the CAT NMS Plan.

⁶⁵ Note that the volume data described in this table does not include CAIS data.

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁶ and assessed legal matters regarding the

⁶⁶ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

SEC's October 29, 2021 order denying the proposed Plan amendment.⁶⁷

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁸ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁹

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among

other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution.

⁶⁷ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁸ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁹ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs (“Excluded Costs”): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁷⁰

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related

to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry

Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale

⁷⁰ In approving the CAT Funding Model, the Commission states that “the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission’s view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor.” CAT Funding Model Approval Order at 13450.

provided legal assistance to the CAT including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin.

From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's

performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷¹ which was the date by which Participants were required to begin reporting to the CAT.⁷² As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition

⁷¹ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷² The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷³ The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷⁴ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁵ In addition, in establishing a Historical Recovery Period of 24

months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁶ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁷

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁸

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁸⁰

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸¹

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸²

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸³ This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸⁴

⁸¹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸² Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸³ As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸⁴ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷⁴ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁵ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁶ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁷ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁹ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁸⁰ CAT Funding Model Approval Order at 13452.

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁵

The CAT NMS Plan further states that "Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs."⁸⁶

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁷ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁸ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the

Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected."⁸⁹ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁹⁰ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹¹

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹²

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall

receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter

⁸⁵ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁶ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁷ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁸ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁹ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁹⁰ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹¹ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹² Section 11.3(b)(iii)(A) of the CAT NMS Plan.

while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for

Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹³ The Plan Processor has established a billing system for CAT fees.⁹⁴ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁵

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from

such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁶

Such information would provide CEBBs and CEBSSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁷ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁸ Such aggregate statistics will be available on the CAT website.

⁹⁶ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁷ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁸ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹³ Section 11.4 of the CAT NMS Plan.

⁹⁴ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁵ Section 11.4 of the CAT NMS Plan.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁹ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”¹⁰⁰ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰¹ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰² As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰³ Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the

Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰⁴

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁵ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both

¹⁰⁴ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁵ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

¹⁰¹ Section 11.6 of the CAT NMS Plan.

¹⁰² The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

⁹⁹ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁰⁰ Section 11.6(b) of the CAT NMS Plan.

agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member's system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁶

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'" ¹⁰⁷ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option

orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁸

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above,

are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" as: the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁹ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the

¹⁰⁶ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁷ FAM Adopting Release at 31330, n.98.

¹⁰⁸ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁹ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹¹⁰ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹¹
- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and
- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹² As CAT

LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹³

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹⁴

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as: the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding

via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹⁴ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁶ FINRA retired OATS effective

¹¹⁰ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹¹ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹² At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository”

¹¹⁵ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁶ *Id.*

September 1, 2021.¹¹⁷ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time;

(13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁸

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁹

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e

Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹²⁰

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter’s order handling and execution system (*e.g.*,

¹¹⁷ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹⁸ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁹ *Id.* at 23079.

¹²⁰ *Id.*

quotations provided via email or instant messaging).¹²¹

The Quarterly Progress Report for the fourth quarter of 2021 states that “Phase 2a was fully implemented as of October 26, 2020;” “Phase 2b was fully implemented as of January 4, 2021;” “Phase 2c was implemented as of April 26, 2021;” and “Phase 2d was fully implemented as of December 13, 2021.”¹²² The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- “Production Go-Live for Equities 2c reporting requirements (Large Industry Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²³

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was

less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²⁴

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁵

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁶

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third

(\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁷ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁸

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or

¹²⁴ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁶ Settlement Exemptive Order at 77129 n.13.

¹²⁷ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁸ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²¹ *Id.* at 23079–80.

¹²² See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁹ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹³⁰

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³¹ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are

availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³²

When the Commission proposed the FAMS, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³³ The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³⁴ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMS 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal

Quotes Order”).¹³⁵ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁶ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁷

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMS 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁸ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated

¹³⁵ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁶ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁷ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁸ *Id.* at 77129 n.12.

¹²⁹ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹³⁰ *Id.*

¹³¹ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³² *Id.* at n.11.

¹³³ See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³⁴ *Id.* at 10.

with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁹ Similarly, the CAT NMS Plan expressly contemplates the Commission’s ability to grant exemptive relief from any CAT NMS Plan requirement.¹⁴⁰

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴¹ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to

the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as “plan sponsors”), and between the Participants and Industry Members (referred to as “members of the plan sponsors”).¹⁴² Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan (“Pre-Formation Costs”) were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The

Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC’s adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴³

(i) Request for Proposal (“RFP”)

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴⁴

In the context of the SEC’s adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁵ Specifically, the Commission explained:

¹⁴³ The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC’s website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴⁴ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁵ For example, in its comments on proposed Rule 613, FIF suggested “that the SROs should

¹³⁹ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹⁴⁰ Section 12.3 of the CAT NMS Plan (“[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.”)

¹⁴¹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁴² See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

In this regard, several commenters suggested that the Commission undergo a RFP or request for information (“RFI”) process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process “to determine the best technical solution for developing a consolidated audit trail.” FIF suggested that the Commission “should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁶

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁷ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁸

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable

approach.¹⁴⁹ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁵⁰ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵¹

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵² The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵³ In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵⁴

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which

bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will

select the processor through a ‘request for proposal.’” Rule 613 Adopting Release at 45785.

¹⁴⁶ Rule 613 Adopting Release at 45738–39.

¹⁴⁷ Rule 613 Adopting Release at 45739.

¹⁴⁸ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 11153.

¹⁵¹ *Id.* at 11159.

¹⁵² See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵³ See Selection Plan Approval Order.

¹⁵⁴ Selection Plan Approval Order at 11160.

build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁵

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁶

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁷ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁸ The Participants filed two supplements to the request for exemptive relief.¹⁵⁹

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁶⁰ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶¹

¹⁵⁷ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁸ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁹ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁶⁰ See 2016 Exemptive Order.

¹⁶¹ *Id.* at 11857.

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (*e.g.*, lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶²

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (*e.g.*, addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient

¹⁶² *Id.*

¹⁵⁵ See CAT NMS Plan Approval Order at 84737.

¹⁵⁶ See Section D(11) of Appendix C of the CAT NMS Plan.

time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶³

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶⁴ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁵ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁶ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁷

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30,

2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁸ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁹

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;

- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the

¹⁶³ Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶⁴ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁵ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁶ March 2013 Exemptive Order at 15772.

¹⁶⁷ *Id.* at 15773.

¹⁶⁸ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁹ See CAT NMS Plan Approval Order.

CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the

expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan,

CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to

the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁷⁰

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷¹ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT

takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷² Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷³

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline

specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷⁴

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical

¹⁷⁰ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷¹ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷² Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷³ Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷⁴ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁵ AWS provides the following benefits to CAT, among others:

- **Broad Suitability.** AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- **Proven Scalability.** AWS has demonstrated that it is capable of building and delivering services on a large scale.

- **Track Record of Innovation.** AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- **Resiliency/Dependability.** Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁶

- **Technical and Customer Support.** AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- **Scale.** AWS is capable of supporting large-scale solutions, which

is critical given the size and magnitude of the CAT.

- **Security.** AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁷

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling likes release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just

as with other aspects of the Plan.

Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁸ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁹ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

¹⁷⁵ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁶ Strategic Cloud Assessment Article.

¹⁷⁷ *Id.*

¹⁷⁸ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁹ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁸⁰ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission's interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸¹

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which

Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸² Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸³ At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or

otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesys.”¹⁸⁴

As noted in the CAT Funding Model Approval Order, the Commission recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁵ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁷ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and

¹⁸⁴ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁵ CAT Funding Model Approval Order at 13421.

¹⁸⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸¹ Settlement Exemptive Order at 77129–30.

¹⁸² CAT NMS Plan Approval Order at 84737.

¹⁸³ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/markreg/rule613-info-notice-of-plan-processor-selection.pdf>.

scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁸ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁹ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁹⁰
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for

Large Industry Members went live on April 26, 2021.

- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹¹

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹²
- The full, final CAIS Technical Specifications were published on January 29, 2021.
- Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹³

As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the

CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹⁴ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as discussed above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁵

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably

¹⁸⁸ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁹ *Id.* at 23078–79, n.70.

¹⁹⁰ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹¹ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹² The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹³ Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹⁴ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁵ CAT NMS Plan Approval Order at 84917–18.

budgeted CAT costs shall include . . . public relations costs.”¹⁹⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁷ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁸ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC

requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁹ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.²⁰⁰ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰¹

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰² In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰³ costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

¹⁹⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁹ See, e.g., NASDAQ Equities Rule 4626.

²⁰⁰ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰¹ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰² Section 11.1(a)(i) of the CAT NMS Plan.

²⁰³ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades*: Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records*: Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- *Order Originator Identification*: Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC

provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰⁴ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade

Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁵ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide

²⁰⁴ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁵ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for

many years.²⁰⁶ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁷ (2) trade details

schemas;²⁰⁸ and (3) CAT billing scenarios.²⁰⁹

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²¹⁰ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹¹ 485 participants and 394 participants attended the two webinars, respectively.

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹²

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹³

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for

²⁰⁶ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁷ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁸ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁹ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²¹⁰ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹¹ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹² See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹³ See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹⁴ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁵ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁶ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁷ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its

facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁸ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁹ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1 fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed

Historical CAT Assessment 1 fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²¹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model

²¹⁴ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²¹⁵ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁶ 15 U.S.C. 78f(b)(6).

²¹⁷ 15 U.S.C. 78f(b)(4).

²¹⁸ 15 U.S.C. 78f(b)(8).

²¹⁹ See Section 6(b)(1) of the Exchange Act.

²²⁰ CAT NMS Plan Approval Order at 84697.

²²¹ CAT NMS Plan Approval Order at 84696.

met this standard.²²² As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²³ In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the Historical Fee Rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide: a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed

technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²⁴ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁵ Indeed, the actual costs of the CAT are far in excess of the original estimated

costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁶ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁷ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁸

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was

²²⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁵ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²⁶ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁷ CAT NMS Plan Approval Order at 84801.

²²⁸ See Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²² CAT Funding Model Approval Order at 62686.

²²³ *Id.* at 62662–63.

being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁹

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²³⁰ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³¹ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar

types of activity.²³² The services performed by FCAT for each period and the costs related to such services are described above.²³³

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³⁴ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁵ The services performed by Kingland for each period and the costs for each period are described above.²³⁶

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁷ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance

with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁸ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁹ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²⁴⁰ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴¹ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴² In addition, as described above, CAT LLC determined that is was

²²⁹ See Sections 3(a)(2)(B)(i)(b), 3(a)(2)(B)(ii)(b), 3(a)(2)(B)(iii)(b) and 3(a)(2)(B)(iv)(b) above.

²³⁰ *Id.*

²³¹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³² See Sections 3(a)(2)(B)(i)(c), 3(a)(2)(B)(ii)(c), 3(a)(2)(B)(iii)(c) and 3(a)(2)(B)(iv)(c) above.

²³³ *Id.*

²³⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁵ See Sections 3(a)(2)(B)(i)(d), 3(a)(2)(B)(ii)(d), 3(a)(2)(B)(iii)(d) and 3(a)(2)(B)(iv)(d) above.

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(e), 3(a)(2)(B)(ii)(e), 3(a)(2)(B)(iii)(e) and 3(a)(2)(B)(iv)(e) above.

²³⁸ *Id.*

²³⁹ See Section 3(a)(2)(B)(i)(e) above.

²²⁹ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²³⁰ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³¹ See Section 3(a)(2)(B)(i)(b) above.

appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴³

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴⁴ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁵

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁶ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁷ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such

matters.²⁴⁸ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁹ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁵⁰ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵¹

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵² CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵³ In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵⁴ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁵

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁶ CAT LLC determined that the professional

and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁷ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁸ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁹

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance[sic] of these considerations.²⁶⁰ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶¹ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶²

The professional and administrative costs also include costs related to the

²⁴³ See Section 3(a)(2)(B)(i)(b) above.

²⁴⁴ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

²⁴⁵ See Sections 3(a)(2)(B)(i)(f), 3(a)(2)(B)(ii)(f), 3(a)(2)(B)(iii)(f) and 3(a)(2)(B)(iv)(f) above.

²⁴⁶ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁷ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁸ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁹ See Section 3(a)(2)(B)(i)(g) above.

²⁵⁰ See Sections 3(a)(2)(B)(i)(g), 3(a)(2)(B)(ii)(g), 3(a)(2)(B)(iii)(g) and 3(a)(2)(B)(iv)(g) above.

²⁵¹ *Id.*

²⁵² Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵³ Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵⁴ See Sections 3(a)(2)(B)(i)(h), 3(a)(2)(B)(ii)(h), 3(a)(2)(B)(iii)(h) and 3(a)(2)(B)(iv)(h) above.

²⁵⁵ *Id.*

²⁵⁶ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁷ See Section 3(a)(2)(B)(i)(i) above.

²⁵⁸ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁵⁹ *Id.*

²⁶⁰ See Section 3(a)(2)(B)(i)(i) above.

²⁶¹ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁶² *Id.*

receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶³

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶⁴

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁵ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁶ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁷ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁸ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of

Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁹ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the

projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁷⁰

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷¹ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷² and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described hererin.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs

²⁶³ See Section 3(a)(2)(B)(i)(i) above.

²⁶⁴ *Id.*

²⁶⁵ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁶ See Section 3(a)(2)(B)(i)(j) above.

²⁶⁷ See Sections 3(a)(2)(B)(i)(j), 3(a)(2)(B)(ii)(j), 3(a)(2)(B)(iii)(j) and 3(a)(2)(B)(iv)(j) above.

²⁶⁸ *Id.*

²⁶⁹ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁷⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷¹ CAT Funding Model Approval Order at 13445, n.677.

²⁷² *Id.* at 13469.

between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷³ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate.”²⁷⁴ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁵ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁶ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

²⁷³ See Section 11.3(b) of the CAT NMS Plan.

²⁷⁴ CAT Funding Model Approval Order at 13412.

²⁷⁵ 15 U.S.C. 78f(b)(8).

²⁷⁶ CAT Funding Model Approval Order at 13479–13481.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²⁷⁷ and Rule 19b-4(f)(2) thereunder,²⁷⁸ because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²⁷⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁸ 17 CFR 240.19b-4(f)(2).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSEARCA-2026-44 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-NYSEARCA-2026-44. This file number should be included on the subject line if email is used. To help the Commission process and review your

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSEARCA-2026-44 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁹

Stephanie J. Fouse,

Assistant Secretary.

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²⁷⁹ 17 CFR 200.30-3(a)(12).



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Part VI

Securities and Exchange Commission

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change To Amend the NYSE American Equities Price List and the NYSE American Options Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105404; File No. SR–NYSEAMER–2026–33]

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change To Amend the NYSE American Equities Price List and the NYSE American Options Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to Section 19(b)(1) ¹ of the Securities Exchange Act of 1934 (“Act”) ² and Rule 19b–4 thereunder, ³ notice is hereby given that, on April 23, 2026, NYSE American LLC (“NYSE American” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE American Equities Price List (“Equities Price List”) and the NYSE American Options Fee Schedule (“Options Fee Schedule”) to establish fees for Industry Members ⁴ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit

Trail, LLC (“CAT LLC” or “the Company”) ⁵ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. The proposed rule change is available on the Exchange’s website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution. ⁶ On November 15, 2016, the Commission approved the CAT NMS Plan. ⁷ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to

operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants. ⁸ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”). ⁹ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder. ¹⁰

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees). ¹¹

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).” ¹² In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the

⁸ Section 11.1(b) of the CAT NMS Plan.

⁹ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

¹⁰ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹¹ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹² Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See NYSE American Rule 6810(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See NYSE American Rule 6810.

⁵ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁶ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁷ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBs from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹³

Each Historical CAT Assessment to be paid by CEBBs and CEBs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹⁴ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled

as ‘Consolidated Audit Trail Funding Fees.’”¹⁵ The Plan further states that “Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment.”¹⁶ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁷

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁸ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁹ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.²⁰ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²¹ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.²² The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²³

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²⁴

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹³ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate.” CAT Funding Model Approval Order at 13450.

¹⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁵ Section 11.1(b) of the CAT NMS Plan.

¹⁶ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁷ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁸ See Securities Exchange Act Release No. 101086 (September 18, 2024), 89 FR 78564 (September 25, 2024) (SR–NYSEAMER–2024–56).

¹⁹ See Equities Price List, paragraph (a)(1)(C) of Consolidated Audit Trail Funding Fees and Options Fee Schedule, paragraph (a)(1)(C) of Consolidated Audit Trail Funding Fees.

²⁰ In response to the Eleventh Circuit’s decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²¹ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²² In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the

exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²³ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

²⁴ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

EQUITY ORDER TRADE (EOT)²⁴—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁵

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁶

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party ..	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent

share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁷

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁸ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs

1 from CEBBs and CEBBs collectively.²⁹ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT

²⁵ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁷ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the

funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁸ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁹ See Securities Exchange Act Release No. 101086 (September 18, 2024), 89 FR 78564 (September 25, 2024) (SR-NYSEAMER-2024-56).

Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the

technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”³⁰ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³¹

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already

funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
<i>Technology Costs</i>	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³²

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT,

including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length

³⁰ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³¹ See Securities Exchange Act Release No. 101086 (September 18, 2024), 89 FR 78564 (September 25, 2024) (SR-NYSEAMER-2024-56).

³² With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³³ and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as “CAT LLC”),³⁴ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁵

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by

AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to

the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁶ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”³⁷ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁸ Phase 2a and Phase 2b Industry Member Data³⁹ (including certain linkages), as well as SIP Data,⁴⁰ reference data and other types of Other Data.⁴¹ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴²

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴³ for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

³³ CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³⁴ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁵ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁶ Appendix D–4 of the CAT NMS Plan at n.262.

³⁷ Appendix D–5 of the CAT NMS Plan.

³⁸ See Section 6.3(d) of the CAT NMS Plan.

³⁹ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

⁴⁰ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴¹ See Appendix C–109 of the CAT NMS Plan.

⁴² Note that the volume data described in this table does not include CAIS data.

⁴³ The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴⁴

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁵ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁶
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting

scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁷ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and

Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁸ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁹

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate,

⁴⁴ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁵ *Id.*

⁴⁶ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁷ The CAT website is <https://www.catnmsplan.com>.

⁴⁸ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁹ Phased Reporting Exemptive Relief Order at 23079–80.

CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁵⁰

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵¹ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the

Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

⁵⁰ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵¹ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;

- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting

facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant’s independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;

- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;

- Provided support for updating the SEC on the progress of the development of the CAT;

- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;

- Coordinated efforts regarding the selection of the successor Plan Processor;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and

- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost

comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵² The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;

- Provided cash management and treasury functions;

- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;

- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;

- Prepared tax returns;

- Addressed various accounting, financial and operating inquiries from Participants;

- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;

- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;

- Supported compliance with the CAT NMS Plan;

- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;

- Supported the annual financial statement audits by an independent auditor;

- Reviewed historical costs from inception; and

- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an

⁵² Section 9.2 of the CAT NMS Plan.

agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵³ In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly,

the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public

relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵⁴ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680

⁵³ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵⁴ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
CAIS Operating Fees	254,998
Change Request Fees	-
Legal	481,687
Consulting	137,209
Insurance	-
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁵

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁶ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁷

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT

described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and

⁵⁵ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁶ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁷ Note that the volume data described in this table does not include CAIS data.

procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the

development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff,

including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and

financial budgets, including budget to actual fluctuation analyses;

- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁸ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBsS paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2**
Capitalized Developed Technology Costs*	\$6,761,094
Technology Costs	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁹

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding

Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less

⁵⁸ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁹ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission.⁶⁰

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM

Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶¹

	Date range: 8/1/20–12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT

Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period

⁶⁰ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶¹ Note that the volume data described in this table does not include CAIS data.

2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history

with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting

such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶² which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
<i>Technology Costs</i>	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶³

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁶² Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶³ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶⁴

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁵

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor

Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance

Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;

⁶⁴ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁵ Note that the volume data described in this table does not include CAIS data.

- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application

development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;

- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁶ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁷

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁸ CAT LLC

⁶⁶ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁷ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁸ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16,

interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁹

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁹ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to

the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁷⁰

(I) Costs related to Conclusion of Relationship with Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan

Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083

incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;

⁷⁰ In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services

related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷¹ which was the date by which Participants were required to begin reporting to the CAT.⁷² As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512

⁷¹ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷² The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

was invoiced collectively to CEBBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷³ The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷⁴ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁵ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁶ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁷

⁷³ Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷⁴ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁵ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁶ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁷ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁸

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁸⁰

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be

⁷⁸ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁹ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁸⁰ CAT Funding Model Approval Order at 13452.

11,961,875,098,720.98 executed equivalent shares.⁸¹

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸²

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸³ This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸⁴

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs and such other additional Past CAT Costs as

⁸¹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸² Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸³ As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸⁴ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁵

The CAT NMS Plan further states that “Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs.”⁸⁶

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁷ A CEBB or CEBS’s fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁸ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and “would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect.” Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, “[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected.”⁸⁹ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁹⁰ The actual

recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹¹

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange’s fee schedule for “Consolidated Audit Trail Funding Fees”, and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹²

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as

applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set

⁸⁵ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁶ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants’ one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁷ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁸ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁹ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁹⁰ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, it is appropriate for Industry Members to be

charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected.” CAT Funding Model Approval Order at 13452.

⁹¹ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹² Section 11.3(b)(iii)(A) of the CAT NMS Plan.

forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the

collection of CAT fees.⁹³ The Plan Processor has established a billing system for CAT fees.⁹⁴ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁵

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that: Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would

include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁶

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁷ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁸ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably

⁹⁶ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁷ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁸ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹³ Section 11.4 of the CAT NMS Plan.

⁹⁴ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁵ Section 11.4 of the CAT NMS Plan.

track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁹ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”¹⁰⁰ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰¹ (“Post-Amendment

Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰² As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰³ Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰⁴

¹⁰² The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰⁴ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁵ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically

reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁵ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

⁹⁹ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁰⁰ Section 11.6(b) of the CAT NMS Plan.

¹⁰¹ Section 11.6 of the CAT NMS Plan.

applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;
- Special handling instructions for the original receipt or origination of an order during Phase 2a; and
- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁶

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'"¹⁰⁷ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order handling or execution system to an exchange or another Industry Member.

An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁸

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBSSs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on

August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" as: the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁹ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm,

¹⁰⁶ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁷ FAM Adopting Release at 31330, n.98.

¹⁰⁸ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁹ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

national securities exchange, and trade reporting facilities linkages.¹¹⁰ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹¹

- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and

- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹² As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹³

The Commission has determined that the Participants have sufficiently

complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹⁴

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as: the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options

transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁶ FINRA retired OATS effective September 1, 2021.¹¹⁷ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related

¹¹⁰ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹¹ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹² At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹⁴ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

¹¹⁵ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁶ *Id.*

¹¹⁷ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA's Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System ("OMS")—Execution Management System ("EMS") scenarios, as required in the Industry Member Technical Specifications.¹¹⁸

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities

that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an "interdealer quotation system," as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁹

The Phase 2d Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order. "Phase 2d Industry Member Data" is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or

cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹²⁰

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²¹

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²² The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry

¹²⁰ *Id.*

¹²¹ *Id.* at 23079–80.

¹²² See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁸ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁹ *Id.* at 23079.

Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²³

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was

available to the Participants and to the Commission as of December 31, 2021.¹²⁴

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁵

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁶

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁷ As discussed below, none

of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁸

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁹ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As

amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁸ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁹ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²³ See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁶ Settlement Exemptive Order at 77129 n.13.

¹²⁷ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the

Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹³⁰

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³¹ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³²

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently

establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³³ The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³⁴ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁵ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁶ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption

were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁷

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁸ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁹ Similarly, the CAT NMS Plan

¹³⁷ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁸ *Id.* at 77129 n.12.

¹³⁹ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection

Continued

¹³⁰ *Id.*

¹³¹ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³² *Id.* at n.11.

¹³³ See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³⁴ *Id.* at 10.

¹³⁵ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁶ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹⁴⁰

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴¹ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to

of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system." 17 CFR 242.608(e).

¹⁴⁰ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.")

¹⁴¹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan sponsors").¹⁴² Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-

¹⁴² See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴³

(i) Request for Proposal ("RFP")

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴⁴

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁵ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFI") process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process "to determine the best technical solution for developing a consolidated audit trail." FIF suggested that the Commission "should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and

¹⁴³ The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC's website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴⁴ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁵ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁶

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁷ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁸

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁹ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁵⁰ After evaluating the Selection Plan, including

the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵¹

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵² The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵³ In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵⁴

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection

Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive

¹⁴⁶ Rule 613 Adopting Release at 45738–39.

¹⁴⁷ Rule 613 Adopting Release at 45739.

¹⁴⁸ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 11153.

¹⁵¹ *Id.* at 11159.

¹⁵² See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵³ See Selection Plan Approval Order.

¹⁵⁴ Selection Plan Approval Order at 11160.

bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁵

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁶

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the

minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁷ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁸ The Participants filed two supplements to the request for exemptive relief.¹⁵⁹

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁶⁰ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶¹

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed

approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶²

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶³

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted

¹⁵⁷ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁸ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁹ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁶⁰ See 2016 Exemptive Order.

¹⁶¹ *Id.* at 11857.

¹⁶² *Id.*

¹⁶³ Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁵⁵ See CAT NMS Plan Approval Order at 84737.

¹⁵⁶ See Section D(11) of Appendix C of the CAT NMS Plan.

two extensions of this deadline.¹⁶⁴ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁵ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁶ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁷

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁸ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁹

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services

were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to

CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include

¹⁶⁴ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁵ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁶ March 2013 Exemptive Order at 15772.

¹⁶⁷ *Id.* at 15773.

¹⁶⁸ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁹ See CAT NMS Plan Approval Order.

services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute

services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework

that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁷⁰

¹⁷⁰ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷¹ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the

Plan Processor."¹⁷² Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷³

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical

Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷⁴

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷¹ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷² Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷³ Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷⁴ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁵ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁶

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example,

DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁷

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal

services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁸ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁹ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁸⁰ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the

¹⁷⁵ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁶ Strategic Cloud Assessment Article.

¹⁷⁷ *Id.*

¹⁷⁸ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁹ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸¹

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16,

2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸² Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸³ At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesys.”¹⁸⁴

As noted in the CAT Funding Model Approval Order, the Commission

recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁵ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁷ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

¹⁸² CAT NMS Plan Approval Order at 84737.

¹⁸³ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸⁴ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁵ CAT Funding Model Approval Order at 13421.

¹⁸⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸¹ Settlement Exemptive Order at 77129–30.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁸ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁹ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁹⁰
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives

were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹¹

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹²
 - The full, final CAIS Technical Specifications were published on January 29, 2021.
 - Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹³
- As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis

since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹⁴ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁵

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁷ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount

¹⁸⁸ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁹ *Id.* at 23078–79, n.70.

¹⁹⁰ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹¹ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹² The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹³ Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹⁴ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁵ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the "Reporting Agreements") is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁸ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁹ Similarly, FINRA's former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.²⁰⁰ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰¹

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant's alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission

recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably budgeted CAT costs shall include . . . consulting . . ." costs.²⁰² In addition, the CAT NMS Plan also requires Participants to include in their fee filings "a brief description of the amount and type of the Historical CAT Costs, including . . . consulting" ²⁰³ costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (*e.g.*, exchange trade journals/ acknowledgements) and data sources of

¹⁹⁹ See, *e.g.*, NASDAQ Equities Rule 4626.

²⁰⁰ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA's OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰¹ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰² Section 11.1(a)(i) of the CAT NMS Plan.

²⁰³ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

self-regulatory organizations independent of CAT; and

- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying

trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰⁴ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁵ By providing

²⁰⁴ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁵ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related

Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant

to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁶ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT

LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁷ (2) trade details schemas;²⁰⁸ and (3) CAT billing scenarios.²⁰⁹

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²¹⁰ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to

the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹¹ 485 participants and 394 participants attended the two webinars, respectively.

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹²

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹³

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹⁴ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully

²¹¹ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹² See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹³ See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹⁴ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²⁰⁶ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁷ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁸ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁹ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²¹⁰ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁵ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁶ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁷ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁸ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁹ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its

statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1 fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1 fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are

reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²¹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²² As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical

²¹⁵ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁶ 15 U.S.C. 78f(b)(6).

²¹⁷ 15 U.S.C. 78f(b)(4).

²¹⁸ 15 U.S.C. 78f(b)(8).

²¹⁹ See Section 6(b)(1) of the Exchange Act.

²²⁰ CAT NMS Plan Approval Order at 84697.

²²¹ CAT NMS Plan Approval Order at 84696.

²²² CAT Funding Model Approval Order at 62686.

Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²³ In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the Historical Fee Rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS

Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²⁴ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁵ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When

the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁶ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁷ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁸

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT’s costs and

²²⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁵ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²⁶ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁷ CAT NMS Plan Approval Order at 84801.

²²⁸ See Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²³ *Id.* at 62662–63.

the level of fees assessed to support those costs.²²⁹

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²³⁰ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³¹ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³² The services performed by FCAT for each period and the costs related to such services are described above.²³³

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³⁴ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations

related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁵ The services performed by Kingland for each period and the costs for each period are described above.²³⁶

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁷ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁸ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25 % of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁹ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²⁴⁰ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴¹ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴² In addition, as described above, CAT LLC determined that it was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴³

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴⁴ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is

²²⁹ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²³⁰ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³¹ See Section 3(a)(2)(B)(i)(b) above.

²³² See Sections 3(a)(2)(B)(i)(b), 3(a)(2)(B)(ii)(b), 3(a)(2)(B)(iii)(b) and 3(a)(2)(B)(iv)(b) above.

²³³ *Id.*

²³⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁵ See Sections 3(a)(2)(B)(i)(c), 3(a)(2)(B)(ii)(c), 3(a)(2)(B)(iii)(c) and 3(a)(2)(B)(iv)(c) above.

²³⁶ *Id.*

²³⁷ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁸ See Sections 3(a)(2)(B)(i)(d), 3(a)(2)(B)(ii)(d), 3(a)(2)(B)(iii)(d) and 3(a)(2)(B)(iv)(d) above.

²³⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²⁴⁰ See Sections 3(a)(2)(B)(i)(e), 3(a)(2)(B)(ii)(e), 3(a)(2)(B)(iii)(e) and 3(a)(2)(B)(iv)(e) above.

²⁴¹ *Id.*

²⁴² See Section 3(a)(2)(B)(i)(e) above.

²⁴³ See Section 3(a)(2)(B)(i)(b) above.

²⁴⁴ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁵

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁶ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁷ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁸ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁹ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁵⁰ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵¹

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵² CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵³ In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵⁴ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁵

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁶ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁷ The

hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁸ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁹

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance[sic] of these considerations.²⁶⁰ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶¹ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶²

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶³

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800-53, Revision 4 and related standards and

²⁴⁵ See Sections 3(a)(2)(B)(i)(f), 3(a)(2)(B)(ii)(f), 3(a)(2)(B)(iii)(f) and 3(a)(2)(B)(iv)(f) above.

²⁴⁶ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁷ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁸ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁹ See Section 3(a)(2)(B)(i)(g) above.

²⁵⁰ See Sections 3(a)(2)(B)(i)(g), 3(a)(2)(B)(ii)(g), 3(a)(2)(B)(iii)(g) and 3(a)(2)(B)(iv)(g) above.

²⁵¹ *Id.*

²⁵² Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵³ Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵⁴ See Sections 3(a)(2)(B)(i)(h), 3(a)(2)(B)(ii)(h), 3(a)(2)(B)(iii)(h) and 3(a)(2)(B)(iv)(h) above.

²⁵⁵ *Id.*

²⁵⁶ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁷ See Section 3(a)(2)(B)(i)(i) above.

²⁵⁸ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁵⁹ *Id.*

²⁶⁰ See Section 3(a)(2)(B)(i)(i) above.

²⁶¹ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁶² *Id.*

²⁶³ See Section 3(a)(2)(B)(i)(i) above.

guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶⁴

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁵ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁶ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁷ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁸ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable.

CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁹ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁷⁰

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷¹ Accordingly, proposed

paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷² and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described hererin.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷³ In approving the CAT Funding Model, the SEC stated that "[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate."²⁷⁴ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for

²⁶⁴ *Id.*

²⁶⁵ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁶ See Section 3(a)(2)(B)(i)(j) above.

²⁶⁷ See Sections 3(a)(2)(B)(i)(j), 3(a)(2)(B)(ii)(j), 3(a)(2)(B)(iii)(j) and 3(a)(2)(B)(iv)(j) above.

²⁶⁸ *Id.*

²⁶⁹ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁷⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷¹ CAT Funding Model Approval Order at 13445, n.677.

²⁷² *Id.* at 13469.

²⁷³ See Section 11.3(b) of the CAT NMS Plan.

²⁷⁴ CAT Funding Model Approval Order at 13412.

Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set

forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁵ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁶ The SEC also analyzed the

potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²⁷⁷ and Rule 19b-4(f)(2) thereunder,²⁷⁸ because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing,

²⁷⁵ 15 U.S.C. 78f(b)(8).

²⁷⁶ CAT Funding Model Approval Order at 13479–13481.

²⁷⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁸ 17 CFR 240.19b-4(f)(2).

including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSEAMER-2026-33 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange

Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSEAMER-2026-33. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish

to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSEAMER-2026-33 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁹

Stephanie J. Fouse,

Assistant Secretary.

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²⁷⁹ 17 CFR 200.30-3(a)(12).



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Part VII

Securities and Exchange Commission

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE Price List To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105405; File No. SR–NYSE–2026–20]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the NYSE Price List To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b–4 thereunder,³ notice is hereby given that on April 23, 2026, New York Stock Exchange LLC (“NYSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the NYSE Price List (“Price List”) to establish fees for Industry Members⁴ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the Company”)⁵ and referred to as

Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. The proposed rule change is available on the Exchange’s website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁶ On November 15, 2016, the Commission approved the CAT NMS Plan.⁷ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the

Participants.⁸ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁹ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.¹⁰

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹¹

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹² In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth

⁸ Section 11.1(b) of the CAT NMS Plan.

⁹ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

¹⁰ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹¹ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹² Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See NYSE Rule 6810(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See NYSE Rule 6810.

⁵ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁶ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁷ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹³

Each Historical CAT Assessment to be paid by CEBBs and CEBs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹⁴ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁵ The Plan further states that "Participants will be required to file

with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment." ¹⁶ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁷

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁸ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁹ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.²⁰ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²¹ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.²² The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²³

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²⁴

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹³ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁵ Section 11.1(b) of the CAT NMS Plan.

¹⁶ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁷ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁸ See Securities Exchange Act Release No. 101087 (September 18, 2024), 89 FR 78614 (September 25, 2024) (SR-NYSE-2024-53).

¹⁹ See Price List, paragraph (a)(1)(C) of Consolidated Audit Trail Funding Fees.

²⁰ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model,

the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23-13396 (11th Cir. July 25, 2025).

²¹ CAT Fee Alert 2025-4 (Nov. 25, 2025).

²² In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting

facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²³ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

²⁴ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf ("CAT Reporting Technical Specifications for Plan Participants").

EQUITY ORDER TRADE (EOT)²⁴—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁵

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁶

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a

transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁷

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁸ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁹ As described in the fee filings for

Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and

²⁵ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁷ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the

funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁸ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁹ See Securities Exchange Act Release No. 101087 (September 18, 2024), 89 FR 78614 (September 25, 2024) (SR–NYSE–2024–53).

CEBSs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating

fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”³⁰ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³¹

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding

Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³²

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security,

resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT's subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to

³⁰ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³¹ See Securities Exchange Act Release No. 101087 (September 18, 2024), 89 FR 78614 (September 25, 2024) (SR-NYSE-2024-53).

³² With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³³ and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as “CAT LLC”),³⁴ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁵

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services,

databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to

the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁶ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”³⁷ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁸ Phase 2a and Phase 2b Industry Member Data³⁹ (including certain linkages), as well as SIP Data,⁴⁰ reference data and other types of Other Data.⁴¹ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴²

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴³ for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

³³ CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³⁴ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁵ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁶ Appendix D–4 of the CAT NMS Plan at n.262.

³⁷ Appendix D–5 of the CAT NMS Plan.

³⁸ See Section 6.3(d) of the CAT NMS Plan.

³⁹ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

⁴⁰ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴¹ See Appendix C–109 of the CAT NMS Plan.

⁴² Note that the volume data described in this table does not include CAIS data.

⁴³ The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴⁴

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁵ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁶
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting

scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁷ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and

Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁸ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁹

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate,

⁴⁴ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁵ *Id.*

⁴⁶ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁷ The CAT website is <https://www.catnmsplan.com>.

⁴⁸ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁹ Phased Reporting Exemptive Relief Order at 23079–80.

CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁵⁰

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵¹ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the

Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

⁵⁰ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵¹ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (*e.g.*, Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;

- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting

facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant’s independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;

- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;

- Provided support for updating the SEC on the progress of the development of the CAT;

- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;

- Coordinated efforts regarding the selection of the successor Plan Processor;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and

- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost

comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵² The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;

- Provided cash management and treasury functions;

- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;

- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;

- Prepared tax returns;

- Addressed various accounting, financial and operating inquiries from Participants;

- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;

- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;

- Supported compliance with the CAT NMS Plan;

- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;

- Supported the annual financial statement audits by an independent auditor;

- Reviewed historical costs from inception; and

- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an

⁵² Section 9.2 of the CAT NMS Plan.

agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵³ In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly,

the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public

relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵⁴ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680

⁵³ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵⁴ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
CAIS Operating Fees	254,998
Change Request Fees	
Legal	481,687
Consulting	137,209
Insurance	
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁵

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁶ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁷

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services

provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff,

⁵⁵ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁶ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁷ Note that the volume data described in this table does not include CAIS data.

Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding CAT technical specifications;

- Assisted with third-party vendor agreements; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating

communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁸ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2 **
Capitalized Developed Technology Costs *	\$6,761,094
Technology Costs	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁹

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁵⁸ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁹ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁶⁰

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶¹

Date range: 8/1/20–12/31/20	
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry

Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and

⁶⁰ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶¹ Note that the volume data described in this table does not include CAIS data.

implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee

rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT

NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin.

CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton.

CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the

CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶² which covers the period from January 1, 2021—December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBSSs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶³

⁶² Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶³ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶⁴

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁵

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21/to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT

described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT's activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

⁶⁴ See definition of "Full Availability and Regulatory Utilization of Transactional Database Functionality" in Section 1.1 of the CAT NMS Plan.

⁶⁵ Note that the volume data described in this table does not include CAIS data.

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁶ and assessed legal matters regarding the

⁶⁶ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

SEC's October 29, 2021 order denying the proposed Plan amendment.⁶⁷

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁸ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁹

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among

other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution.

⁶⁷ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁸ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁹ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁷⁰

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related

to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry

Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale

⁷⁰ In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

provided legal assistance to the CAT including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin.

From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's

performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷¹ which was the date by which Participants were required to begin reporting to the CAT.⁷² As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition

⁷¹ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷² The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷³ The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷⁴ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁵ In addition, in establishing a Historical Recovery Period of 24

months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁶ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁷

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁸

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁸⁰

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸¹

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸²

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸³ This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸⁴

⁸¹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸² Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸³ As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸⁴ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷⁴ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁵ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁶ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁷ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁹ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁸⁰ CAT Funding Model Approval Order at 13452.

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁵

The CAT NMS Plan further states that "Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs."⁸⁶

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁷ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁸ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the

Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected."⁸⁹ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁹⁰ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹¹

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹²

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall

receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter

⁸⁵ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁶ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁷ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁸ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁹ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁹⁰ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹¹ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹² Section 11.3(b)(iii)(A) of the CAT NMS Plan.

while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for

Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹³ The Plan Processor has established a billing system for CAT fees.⁹⁴ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁵

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from

such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁶

Such information would provide CEBBs and CEBSSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁷ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁸ Such aggregate statistics will be available on the CAT website.

⁹⁶ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁷ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁸ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹³ Section 11.4 of the CAT NMS Plan.

⁹⁴ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁵ Section 11.4 of the CAT NMS Plan.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁹ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”¹⁰⁰ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰¹ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰² As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰³ Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the

Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰⁴

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁵ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both

¹⁰⁴ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁵ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

¹⁰¹ Section 11.6 of the CAT NMS Plan.

¹⁰² The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

⁹⁹ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁰⁰ Section 11.6(b) of the CAT NMS Plan.

agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member's system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁶

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'" ¹⁰⁷ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option

orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁸

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above,

are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" as: the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁹ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the

¹⁰⁶ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁷ FAM Adopting Release at 31330, n.98.

¹⁰⁸ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁹ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹¹⁰ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹¹
- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and
- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹² As CAT

LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹³

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹⁴

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as: the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding

via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹⁴ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁶ FINRA retired OATS effective

¹¹⁰ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹¹ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹² At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository”

¹¹⁵ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁶ *Id.*

September 1, 2021.¹¹⁷ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time;

(13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁸

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁹

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e

Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹²⁰

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter’s order handling and execution system (*e.g.*,

¹¹⁷ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹⁸ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁹ *Id.* at 23079.

¹²⁰ *Id.*

quotations provided via email or instant messaging).¹²¹

The Quarterly Progress Report for the fourth quarter of 2021 states that “Phase 2a was fully implemented as of October 26, 2020;” “Phase 2b was fully implemented as of January 4, 2021;” “Phase 2c was implemented as of April 26, 2021;” and “Phase 2d was fully implemented as of December 13, 2021.”¹²² The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- “Production Go-Live for Equities 2c reporting requirements (Large Industry Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²³

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was

less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²⁴

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁵

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁶

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third

(\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁷ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁸

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or

¹²⁴ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁶ Settlement Exemptive Order at 77129 n.13.

¹²⁷ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁸ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²¹ *Id.* at 23079–80.

¹²² See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁹ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹³⁰

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³¹ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are

availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³²

When the Commission proposed the FAMS, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³³ The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³⁴ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMS 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal

Quotes Order”).¹³⁵ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁶ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁷

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMS 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁸ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated

¹³⁵ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁶ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁷ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁸ *Id.* at 77129 n.12.

¹²⁹ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹³⁰ *Id.*

¹³¹ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³² *Id.* at n.11.

¹³³ See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³⁴ *Id.* at 10.

with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁹ Similarly, the CAT NMS Plan expressly contemplates the Commission’s ability to grant exemptive relief from any CAT NMS Plan requirement.¹⁴⁰

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴¹ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to

the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as “plan sponsors”), and between the Participants and Industry Members (referred to as “members of the plan sponsors”).¹⁴² Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan (“Pre-Formation Costs”) were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The

Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC’s adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴³

(i) Request for Proposal (“RFP”)

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴⁴

In the context of the SEC’s adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁵ Specifically, the Commission explained:

¹⁴³ The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC’s website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴⁴ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁵ For example, in its comments on proposed Rule 613, FIF suggested “that the SROs should

¹³⁹ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹⁴⁰ Section 12.3 of the CAT NMS Plan (“[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.”)

¹⁴¹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁴² See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

In this regard, several commenters suggested that the Commission undergo a RFP or request for information (“RFI”) process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process “to determine the best technical solution for developing a consolidated audit trail.” FIF suggested that the Commission “should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁶

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁷ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁸

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable

approach.¹⁴⁹ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁵⁰ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵¹

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵² The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵³ In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵⁴

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which

bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will

select the processor through a ‘request for proposal.’” Rule 613 Adopting Release at 45785.

¹⁴⁶ Rule 613 Adopting Release at 45738–39.

¹⁴⁷ Rule 613 Adopting Release at 45739.

¹⁴⁸ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 11153.

¹⁵¹ *Id.* at 11159.

¹⁵² See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵³ See Selection Plan Approval Order.

¹⁵⁴ Selection Plan Approval Order at 11160.

build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁵

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁶

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁷ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁸ The Participants filed two supplements to the request for exemptive relief.¹⁵⁹

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁶⁰ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶¹

The Commission further stated that the requested exemptive relief is

consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶²

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public

¹⁵⁵ See CAT NMS Plan Approval Order at 84737.

¹⁵⁶ See Section D(11) of Appendix C of the CAT NMS Plan.

¹⁵⁷ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁸ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁹ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁶⁰ See 2016 Exemptive Order.

¹⁶¹ *Id.* at 11857.

¹⁶² *Id.*

on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶³

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶⁴ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁵ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁶ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁷

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several

amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁸ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁹

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

¹⁶³ Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶⁴ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁵ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁶ March 2013 Exemptive Order at 15772.

¹⁶⁷ *Id.* at 15773.

¹⁶⁸ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁹ See CAT NMS Plan Approval Order.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements,

and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁷⁰

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷¹ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly,

Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷² Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷³

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly

defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷⁴

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not

¹⁷⁰ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷¹ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷² Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷³ Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷⁴ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁵ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.
- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.
- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.
- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁶

• *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

• *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

• *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁷

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and

implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁸ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁹ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that

¹⁷⁵ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁶ Strategic Cloud Assessment Article.

¹⁷⁷ *Id.*

¹⁷⁸ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁹ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁸⁰ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission's interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸¹

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay

in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that "the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor," and that "the process set forth in the Selection Plan should be permitted to continue."¹⁸² Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸³ At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the

selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that "SIFMA looks forward to commencing work with the SROs and Thesys."¹⁸⁴

As noted in the CAT Funding Model Approval Order, the Commission recognized that "[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members."¹⁸⁵ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably budgeted CAT costs shall include . . . CAIS operating fees."¹⁸⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings "a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees."¹⁸⁷ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

¹⁸⁴ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁵ CAT Funding Model Approval Order at 13421.

¹⁸⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸¹ Settlement Exemptive Order at 77129–30.

¹⁸² CAT NMS Plan Approval Order at 84737.

¹⁸³ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁸ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁹ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁹⁰
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.

- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.

- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹¹

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹²
 - The full, final CAIS Technical Specifications were published on January 29, 2021.
 - Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹³
- As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in

terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹⁴ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁵

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . .

¹⁸⁸ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁹ *Id.* at 23078–79, n.70.

¹⁹⁰ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹¹ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹² The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹³ Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹⁴ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁵ CAT NMS Plan Approval Order at 84917–18.

public relations costs.”¹⁹⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁷ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁸ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to

the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁹ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.²⁰⁰ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰¹

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of

the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰² In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰³ costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

¹⁹⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁹ See, e.g., NASDAQ Equities Rule 4626.

²⁰⁰ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰¹ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰² Section 11.1(a)(i) of the CAT NMS Plan.

²⁰³ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades*: Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records*: Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- *Order Originator Identification*: Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC

provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰⁴ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade

Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁵ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide

²⁰⁴ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁵ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for

many years.²⁰⁶ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁷ (2) trade details

schemas;²⁰⁸ and (3) CAT billing scenarios.²⁰⁹

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²¹⁰ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹¹ 485 participants and 394 participants attended the two webinars, respectively.

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹²

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹³

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for

²⁰⁶ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁷ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁸ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁹ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²¹⁰ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹¹ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹² See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹³ See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹⁴ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁵ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁶ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁷ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its

facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁸ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁹ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1 fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed

Historical CAT Assessment 1 fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²¹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model

²¹⁴ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²¹⁵ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁶ 15 U.S.C. 78f(b)(6).

²¹⁷ 15 U.S.C. 78f(b)(4).

²¹⁸ 15 U.S.C. 78f(b)(8).

²¹⁹ See Section 6(b)(1) of the Exchange Act.

²²⁰ CAT NMS Plan Approval Order at 84697.

²²¹ CAT NMS Plan Approval Order at 84696.

met this standard.²²² As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²³ In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the Historical Fee Rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed

technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²⁴ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁵ Indeed, the actual costs of the CAT are far in excess of the original estimated

costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁶ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁷ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁸

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was

²²⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁵ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²⁶ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁷ CAT NMS Plan Approval Order at 84801.

²²⁸ See Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²² CAT Funding Model Approval Order at 62686.

²²³ *Id.* at 62662–63.

being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁹

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²³⁰ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³¹ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar

types of activity.²³² The services performed by FCAT for each period and the costs related to such services are described above.²³³

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³⁴ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁵ The services performed by Kingland for each period and the costs for each period are described above.²³⁶

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁷ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance

with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁸ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁹ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²⁴⁰ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴¹ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴² In addition, as described above, CAT LLC determined that is was

²²⁹ See Sections 3(a)(2)(B)(i)(b), 3(a)(2)(B)(ii)(b), 3(a)(2)(B)(iii)(b) and 3(a)(2)(B)(iv)(b) above.

²³⁰ *Id.*

²³¹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³² See Sections 3(a)(2)(B)(i)(c), 3(a)(2)(B)(ii)(c), 3(a)(2)(B)(iii)(c) and 3(a)(2)(B)(iv)(c) above.

²³³ *Id.*

²³⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁵ See Sections 3(a)(2)(B)(i)(d), 3(a)(2)(B)(ii)(d), 3(a)(2)(B)(iii)(d) and 3(a)(2)(B)(iv)(d) above.

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(e), 3(a)(2)(B)(ii)(e), 3(a)(2)(B)(iii)(e) and 3(a)(2)(B)(iv)(e) above.

²³⁸ *Id.*

²³⁹ See Section 3(a)(2)(B)(i)(e) above.

²²⁹ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²³⁰ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³¹ See Section 3(a)(2)(B)(i)(b) above.

appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴³

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴⁴ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁵

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁶ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁷ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such

matters.²⁴⁸ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁹ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁵⁰ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵¹

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵² CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵³ In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵⁴ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁵

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁶ CAT LLC determined that the professional

and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁷ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁸ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁹

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance[sic] of these considerations.²⁶⁰ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶¹ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶²

The professional and administrative costs also include costs related to the

²⁴³ See Section 3(a)(2)(B)(i)(b) above.

²⁴⁴ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

²⁴⁵ See Sections 3(a)(2)(B)(i)(f), 3(a)(2)(B)(ii)(f), 3(a)(2)(B)(iii)(f) and 3(a)(2)(B)(iv)(f) above.

²⁴⁶ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁷ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁸ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁹ See Section 3(a)(2)(B)(i)(g) above.

²⁵⁰ See Sections 3(a)(2)(B)(i)(g), 3(a)(2)(B)(ii)(g), 3(a)(2)(B)(iii)(g) and 3(a)(2)(B)(iv)(g) above.

²⁵¹ *Id.*

²⁵² Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵³ Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵⁴ See Sections 3(a)(2)(B)(i)(h), 3(a)(2)(B)(ii)(h), 3(a)(2)(B)(iii)(h) and 3(a)(2)(B)(iv)(h) above.

²⁵⁵ *Id.*

²⁵⁶ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁷ See Section 3(a)(2)(B)(i)(i) above.

²⁵⁸ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁵⁹ *Id.*

²⁶⁰ See Section 3(a)(2)(B)(i)(i) above.

²⁶¹ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁶² *Id.*

receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶³

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶⁴

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁵ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁶ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁷ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁸ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of

Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁹ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the

projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁷⁰

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷¹ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷² and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs

²⁶³ See Section 3(a)(2)(B)(i)(i) above.

²⁶⁴ *Id.*

²⁶⁵ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁶ See Section 3(a)(2)(B)(i)(j) above.

²⁶⁷ See Sections 3(a)(2)(B)(i)(j), 3(a)(2)(B)(ii)(j), 3(a)(2)(B)(iii)(j) and 3(a)(2)(B)(iv)(j) above.

²⁶⁸ *Id.*

²⁶⁹ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁷⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷¹ CAT Funding Model Approval Order at 13445, n.677.

²⁷² *Id.* at 13469.

between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷³ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate.”²⁷⁴ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁵ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁶ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

²⁷³ See Section 11.3(b) of the CAT NMS Plan.

²⁷⁴ CAT Funding Model Approval Order at 13412.

²⁷⁵ 15 U.S.C. 78f(b)(8).

²⁷⁶ CAT Funding Model Approval Order at 13479–13481.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²⁷⁷ and Rule 19b-4(f)(2) thereunder,²⁷⁸ because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²⁷⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁸ 17 CFR 240.19b-4(f)(2).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSE-2026-20 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.
- All submissions should refer to file number SR-NYSE-2026-20. This file number should be included on the subject line if email is used. To help the Commission process and review your

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSE-2026-20 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁹

Stephanie J. Fouse,

Assistant Secretary.

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²⁷⁹ 17 CFR 200.30-3(a)(12).



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Part VIII

Securities and Exchange Commission

Self-Regulatory Organizations; NYSE Texas, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Fee Schedule of NYSE Texas, Inc. To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105406; File No. SR–NYSETEX–2026–12]

Self-Regulatory Organizations; NYSE Texas, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Fee Schedule of NYSE Texas, Inc. To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b–4 thereunder,³ notice is hereby given that, on April 23, 2026, the NYSE Texas, Inc. (“NYSE Texas” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the Fee Schedule of NYSE Texas, Inc. (“Fee Schedule”) to establish fees for Industry Members⁴ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the Company”)⁵ and referred

to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. The proposed rule change is available on the Exchange’s website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change, and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁶ On November 15, 2016, the Commission approved the CAT NMS Plan.⁷ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the

Participants.⁸ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁹ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.¹⁰

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹¹

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹² In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth

⁸ Section 11.1(b) of the CAT NMS Plan.

⁹ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

¹⁰ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹¹ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹² Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.

⁴ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See NYSE Texas Rule 6.6810(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See NYSE Texas Rule 6.6810.

⁵ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁶ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁷ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹³

Each Historical CAT Assessment to be paid by CEBBs and CEBs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹⁴ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁵ The Plan further states that "Participants will be required to file

with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment." ¹⁶ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁷

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁸ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁹ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.²⁰ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²¹ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.²² The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²³

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²⁴

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹³ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁵ Section 11.1(b) of the CAT NMS Plan.

¹⁶ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁷ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁸ See Securities Exchange Act Release No. 101089 (September 18, 2024), 89 FR 78514 (September 25, 2024) (SR-NYSECHX-2024-28).

¹⁹ See Fee Schedule, paragraph (a)(1)(C) of Consolidated Audit Trail Funding Fees.

²⁰ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model,

the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23-13396 (11th Cir. July 25, 2025).

²¹ CAT Fee Alert 2025-4 (Nov. 25, 2025).

²² In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting

facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²³ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

²⁴ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf ("CAT Reporting Technical Specifications for Plan Participants").

EQUITY ORDER TRADE (EOT)²⁴—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁵

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁶

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent

share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁷

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁸ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs

1 from CEBBs and CEBSSs collectively.²⁹ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBSSs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBSSs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBSSs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBSSs via Historical CAT Assessment 1. Historical CAT

²⁵ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁷ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the

funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁸ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁹ See Securities Exchange Act Release No. 101089 (September 18, 2024), 89 FR 78514 (September 25, 2024) (SR-NYSECHX-2024-28).

Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the

technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”³⁰ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³¹

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already

funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³²

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security,

resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing cost and receiving services required to

³⁰ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³¹ See Securities Exchange Act Release No. 101089 (September 18, 2024), 89 FR 78514 (September 25, 2024) (SR-NYSECHX-2024-28).

³² With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³³ and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as “CAT LLC”),³⁴ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁵

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services,

databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to

the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁶ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”³⁷ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁸ Phase 2a and Phase 2b Industry Member Data³⁹ (including certain linkages), as well as SIP Data,⁴⁰ reference data and other types of Other Data.⁴¹ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴²

	Date Range: 3/29/19 to 4/ 12/20*	Date Range: 4/13/20 to 6/ 21/20**
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program

management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴³ for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission,

the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and

³³ CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³⁴ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁵ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁶ Appendix D–4 of the CAT NMS Plan at n.262.

³⁷ Appendix D–5 of the CAT NMS Plan.

³⁸ See Section 6.3(d) of the CAT NMS Plan.

³⁹ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

⁴⁰ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴¹ See Appendix C–109 of the CAT NMS Plan.

⁴² Note that the volume data described in this table does not include CAIS data.

⁴³ The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴⁴

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁵ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁶

- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated testing for Phase 2a and 2b reporting for Industry Members;

- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;

- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;

- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;

- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with Participants, the SEC and its staff;

- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content;⁴⁷ and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and

Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporated ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁸ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁹

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market

⁴⁴ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁵ *Id.*

⁴⁶ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁷ The CAT website is <https://www.catnmsplan.com>.

⁴⁸ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁹ Phased Reporting Exemptive Relief Order at 23079–80.

participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁵⁰

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵¹ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On

April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor

authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018),

⁵⁰ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵¹ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;

- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include

costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant’s independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT

requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in

discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵² The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs

⁵² Section 9.2 of the CAT NMS Plan.

related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵³ In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed

the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise

and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵⁴ which covers the period from June 22, 2020—July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs:	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680

⁵³ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵⁴ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM period 1 **
CAIS Operating Fees	254,998
Change Request Fees	
Legal	481,687
Consulting	137,209
Insurance	
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁵

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁶ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁷

	Date Range: 6/22/20–7/31/20
Average Daily Volume in Billions	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT

described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and

⁵⁵ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁶ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁷ Note that the volume data described in this table does not include CAIS data.

procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the

development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff,

including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and

financial budgets, including budget to actual fluctuation analyses;

- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁸ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBsS paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM period 2 **
Capitalized Developed Technology Costs *	\$6,761,094
<i>Technology Costs</i>	\$31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁹

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry

Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and

implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the

⁵⁸ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁹ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission.⁶⁰

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array

of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶¹

	Date range: 8/1/20–12/31/20
Average Daily Volume in Billions	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the development and implementation of the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the

use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

⁶⁰ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶¹ Note that the volume data described in this table does not include CAIS data.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial

Accountability Milestone amendment, FAQs and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);

- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates

for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;

- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant

Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶² which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3 **
Capitalized Developed Technology Costs *	\$10,763,372
<i>Technology Costs:</i>	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶³

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions,

excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange

⁶² Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶³ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section

6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶⁴

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in

technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁵

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT's activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;

- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a

⁶⁴ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁵ Note that the volume data described in this table does not include CAIS data.

subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration,

Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;
- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;
- Assisted with cost management analysis and proposals; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁶ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁷

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁸ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the

⁶⁶ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁷ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁸ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the “2020 Orders”).

2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁹

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT,

Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;

- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan

⁶⁹ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁷⁰

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	-
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT

LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;

- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing

⁷⁰ In approving the CAT Funding Model, the Commission states that “the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission’s view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor.” CAT Funding Model Approval Order at 13450.

interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;

- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from

November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷¹ which was the date by which Participants were required to begin reporting to the CAT.⁷² As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to

⁷¹ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷² The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

describe the reasons for its length.⁷³ The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷⁴ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁵ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁶ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁷

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁸

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the

Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁸⁰

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸¹

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸²

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸³ This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸⁴

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁵

The CAT NMS Plan further states that “Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs.”⁸⁶

⁸³ As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸⁴ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁸⁵ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁶ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBs and CEBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants’ one-third share of Historical CAT

⁷³ Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷⁴ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁵ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁶ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁷ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁹ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁸⁰ CAT Funding Model Approval Order at 13452.

⁸¹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸² Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁷ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁸ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected."⁸⁹ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁹⁰ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹¹

Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁷ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁸ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁹ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁹⁰ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹¹ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹²

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or

shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that "[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share."

⁹² Section 11.3(b)(iii)(A) of the CAT NMS Plan.

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹³ The Plan Processor has established a billing system for CAT fees.⁹⁴ Therefore, the Exchange proposes to require CAT

Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁵

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁶

Such information would provide CEBBs and CEBs with the ability to

understand the details regarding the calculation of their Historical CAT Assessment.⁹⁷ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁸ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT

⁹⁷ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁸ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹³ Section 11.4 of the CAT NMS Plan.

⁹⁴ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁵ Section 11.4 of the CAT NMS Plan.

⁹⁶ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁹ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”¹⁰⁰ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰¹ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that

are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰² As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰³ Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰⁴

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity

validations.’”¹⁰⁵ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member’s system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

- When routing an order, whether the order was routed as an intermarket sweep order (“ISO”).

In Phase 2a, Industry Members were not required to report modifications of

¹⁰² The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰⁴ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

⁹⁹ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁰⁰ Section 11.6(b) of the CAT NMS Plan.

¹⁰¹ Section 11.6 of the CAT NMS Plan.

¹⁰⁵ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁶

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)” was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information” was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is “consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Options 2b file submission and data integrity validations.’”¹⁰⁷ The Phase 2b Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member’s order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated

in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁸

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Options 2b file submission and data integrity validations” was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information” was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines “Full Implementation of Core Equity Reporting” as: the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and

Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁹ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order’s lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹¹⁰ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

¹⁰⁹ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹⁰ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹⁰⁶ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁷ FAM Adopting Release at 31330, n.98.

¹⁰⁸ Phased Reporting Exemptive Relief Order at 23078.

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹¹

- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and

- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹² As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹³

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹⁴

As discussed above, the remaining Historical CAT Costs 1 to be recovered

via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as:

the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation

Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁶ FINRA retired OATS effective September 1, 2021.¹¹⁷ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2)

¹¹¹ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹² At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹³ See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹⁴ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

¹¹⁵ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁶ *Id.*

¹¹⁷ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA's Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System ("OMS")—Execution Management System ("EMS") scenarios, as required in the Industry Member Technical Specifications.¹¹⁸

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an "interdealer quotation system," as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible

electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁹

The Phase 2d Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order. "Phase 2d Industry Member Data" is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following

conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹²⁰

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²¹

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²² The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry Members)" was completed on April 26, 2021;
- "LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)" was completed on April 26, 2021;
- "FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements

¹²⁰ *Id.*

¹²¹ *Id.* at 23079–80.

¹²² See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁸ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁹ *Id.* at 23079.

(Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²³

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²⁴

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the

consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁵

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁶

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBSSs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁷ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

¹²⁵ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁶ Settlement Exemptive Order at 77129 n.13.

¹²⁷ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁸

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁹ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024,

¹²⁸ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁹ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²³ See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹³⁰

On May 20, 2024, the Commission granted CAT LLC's request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered "orders" reportable pursuant to Rule 613(j)(8).¹³¹ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that "[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied."¹³²

When the Commission proposed the FAMS, the Participants expressed concern that, "by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission's proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances."¹³³ The Participants further warned that "Industry Members may request or require unanticipated reporting delays

to address Industry Member implementation issues or concerns," but that, "[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines."¹³⁴ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission's May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the "2023 Verbal Quotes Exemption") affects the conclusion that FAMS 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission's November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the "2020 Verbal Quotes Order").¹³⁵ The Commission has stated that, "to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied."¹³⁶ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁷

¹³⁴ *Id.* at 10.

¹³⁵ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the "2020 Verbal Quotes Exemption").

¹³⁶ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission's statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁷ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were

(iii) November 2023 Order

CAT LLC does not believe that the Commission's November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the "November 2023 Order") affects the conclusion that FAMS 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that "the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones."¹³⁸ The November 2023 Exemption Order is consistent with the Commission's repeated statements in the FAM adopting release that it would have "authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone," citing Section 36 of the Exchange Act and Rule 608.¹³⁹ Similarly, the CAT NMS Plan expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹⁴⁰

satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁸ *Id.* at 77129 n.12.

¹³⁹ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to "conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors." 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may "exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system." 17 CFR 242.608(e).

¹⁴⁰ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief

Continued

¹³⁰ *Id.*

¹³¹ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³² *Id.* at n.11.

¹³³ See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴¹ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as “plan sponsors”), and between the Participants and Industry Members (referred to as “members of the plan

sponsors”).¹⁴² Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan (“Pre-Formation Costs”) were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC’s adoption of Rule 613. As described in more detail below, these efforts included, among

other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴³

(i) Request for Proposal (“RFP”)

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴⁴

In the context of the SEC’s adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁵ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information (“RFI”) process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process “to determine the best technical solution for developing a consolidated audit trail.” FIF suggested that the Commission “should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of

¹⁴³ The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC’s website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴⁴ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D–2.

¹⁴⁵ For example, in its comments on proposed Rule 613, FIF suggested “that the SROs should select the processor through a ‘request for proposal.’” Rule 613 Adopting Release at 45785.

is granted irrespective of whether this Agreement has been amended.”)

¹⁴¹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁴² See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission's initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁶

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁷ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁸

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁹ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁵⁰ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will

build, operate, and maintain the consolidated audit trail.”¹⁵¹

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders' questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵² The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵³ In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵⁴

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for

ensuring that the Participants' joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁵

¹⁴⁶ Rule 613 Adopting Release at 45738–39.

¹⁴⁷ Rule 613 Adopting Release at 45739.

¹⁴⁸ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁹ *Id.*

¹⁵⁰ *Id.* at 11153

¹⁵¹ *Id.* at 11159.

¹⁵² See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵³ See Selection Plan Approval Order.

¹⁵⁴ Selection Plan Approval Order at 11160.

¹⁵⁵ See CAT NMS Plan Approval Order at 84737.

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁶

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data,

or its security and confidentiality.”¹⁵⁷ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁸ The Participants filed two supplements to the request for exemptive relief.¹⁵⁹

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁶⁰ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶¹

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer

reporting costs resulting in fewer costs passed on to Customers).¹⁶²

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶³

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶⁴ The SEC determined that both extensions

¹⁵⁷ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁸ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁹ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁶⁰ See 2016 Exemptive Order.

¹⁶¹ *Id.* at 11857.

¹⁶² *Id.*

¹⁶³ Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶⁴ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁵⁶ See Section D(11) of Appendix C of the CAT NMS Plan.

were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁵ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁶ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁷

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁸ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁹

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent

the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the

individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals,

¹⁶⁵ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁶ March 2013 Exemptive Order at 15772.

¹⁶⁷ *Id.* at 15773.

¹⁶⁸ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁹ See CAT NMS Plan Approval Order.

press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such

as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source

community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁷⁰

¹⁷⁰ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷¹ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷² Currently, FCAT provides two mechanisms for submitting files: SFTP via a private

network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷³

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels

of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷⁴

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent

¹⁷¹ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷² Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷³ Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷⁴ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁵ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁶

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of

the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁷

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling likes release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁸ In addition,

the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁹ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁸⁰ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT.

¹⁷⁵ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁶ Strategic Cloud Assessment Article.

¹⁷⁷ Id.

¹⁷⁸ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁹ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸¹

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would

remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸² Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸³ At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesys.”¹⁸⁴

As noted in the CAT Funding Model Approval Order, the Commission recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁵ If the CAT Funding Model had existed

on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁷ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the

¹⁸¹ Settlement Exemptive Order at 77129–30.

¹⁸² CAT NMS Plan Approval Order at 84737.

¹⁸³ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸⁴ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁵ CAT Funding Model Approval Order at 13421.

¹⁸⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁸ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁹ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁹⁰
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹¹

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹²
- The full, final CAIS Technical Specifications were published on January 29, 2021.
- Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹³

As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with

initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹⁴ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁵

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁶ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁷ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC,

¹⁸⁸ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁹ *Id.* at 23078–79, n.70.

¹⁹⁰ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹¹ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹² The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹³ Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹⁴ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁵ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁶ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁷ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the "Reporting Agreements") is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁸ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions

are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁹ Similarly, FINRA's former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.²⁰⁰ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰¹

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant's alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably

budgeted CAT costs shall include . . . consulting . . ." costs.²⁰² In addition, the CAT NMS Plan also requires Participants to include in their fee filings "a brief description of the amount and type of the Historical CAT Costs, including . . . consulting"²⁰³ costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT

¹⁹⁹ See, e.g., NASDAQ Equities Rule 4626.

²⁰⁰ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA's OATS system to report trade information (i.e., repeatedly over the course of a trading day for many Industry Members).

²⁰¹ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰² Section 11.1(a)(i) of the CAT NMS Plan.

²⁰³ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related

to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰⁴ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁵ By providing

²⁰⁴ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁵ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July

Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other

7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁶ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have

been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁷ (2) trade details schemas;²⁰⁸ and (3) CAT billing scenarios.²⁰⁹

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²¹⁰ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹¹ 485 participants and 394 participants attended the two webinars, respectively.

²⁰⁷ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁸ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁹ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²¹⁰ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹¹ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹²

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹³

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹⁴ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed

²¹² See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹³ See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹⁴ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²⁰⁶ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁵ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁶ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁷ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁸ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁹ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1 fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1 fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The

Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²¹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²² As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²³ In each respect, as discussed

²¹⁵ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁶ 15 U.S.C. 78f(b)(6).

²¹⁷ 15 U.S.C. 78f(b)(4).

²¹⁸ 15 U.S.C. 78f(b)(8).

²¹⁹ See Section 6(b)(1) of the Exchange Act.

²²⁰ CAT NMS Plan Approval Order at 84697.

²²¹ CAT NMS Plan Approval Order at 84696.

²²² CAT Funding Model Approval Order at 62686.

²²³ *Id.* at 62662-63.

above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the Historical Fee Rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²⁴ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁵ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁶ and that annual operating

costs for the CAT would range from \$36.5 million to \$55 million.²²⁷ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁸

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT’s costs and the level of fees assessed to support those costs.²²⁹

²²⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁵ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²⁶ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁷ CAT NMS Plan Approval Order at 84801.

²²⁸ See Sections 3(a)(2)(B)(i)(a), 3(a)(2)(B)(ii)(a), 3(a)(2)(B)(iii)(a) and 3(a)(2)(B)(iv)(A) above.

²²⁹ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023)

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²³⁰ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³¹ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³² The services performed by FCAT for each period and the costs related to such services are described above.²³³

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³⁴ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT

Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁵ The services performed by Kingland for each period and the costs for each period are described above.²³⁶

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁷ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁸ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized

developed technology costs as a part of Historical CAT Assessments.²³⁹ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²⁴⁰ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴¹ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴² In addition, as described above, CAT LLC determined that it was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴³

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴⁴ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for

(describing key cost discipline mechanisms for the CAT).

²³⁰ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³¹ See Section 3(a)(2)(B)(i)(b) above.

²³² See Sections 3(a)(2)(B)(i)(b), 3(a)(2)(B)(ii)(b), 3(a)(2)(B)(iii)(b) and 3(a)(2)(B)(iv)(b) above.

²³³ *Id.*

²³⁴ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁵ See Sections 3(a)(2)(B)(i)(c), 3(a)(2)(B)(ii)(c), 3(a)(2)(B)(iii)(c) and 3(a)(2)(B)(iv)(c) above.

²³⁶ *Id.*

²³⁷ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁸ See Sections 3(a)(2)(B)(i)(d), 3(a)(2)(B)(ii)(d), 3(a)(2)(B)(iii)(d) and 3(a)(2)(B)(iv)(d) above.

²³⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²⁴⁰ See Sections 3(a)(2)(B)(i)(e), 3(a)(2)(B)(ii)(e), 3(a)(2)(B)(iii)(e) and 3(a)(2)(B)(iv)(e) above.

²⁴¹ *Id.*

²⁴² See Section 3(a)(2)(B)(i)(e) above.

²⁴³ See Section 3(a)(2)(B)(i)(b) above.

²⁴⁴ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁵

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁶ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁷ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁸ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁹ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁵⁰ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵¹

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of

Historical CAT Assessments.²⁵² CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵³ In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵⁴ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁵

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁶ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁷ The hourly fee rates for this firm were in line with market rates for the financial

advisory services provided.²⁵⁸ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁹

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance[sic] of these considerations.²⁶⁰ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶¹ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶²

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶³

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and

²⁴⁵ See Sections 3(a)(2)(B)(i)(f), 3(a)(2)(B)(ii)(f), 3(a)(2)(B)(iii)(f) and 3(a)(2)(B)(iv)(f) above.

²⁴⁶ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁷ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁸ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁹ See Section 3(a)(2)(B)(i)(g) above.

²⁵⁰ See Sections 3(a)(2)(B)(i)(g), 3(a)(2)(B)(ii)(g), 3(a)(2)(B)(iii)(g) and 3(a)(2)(B)(iv)(g) above.

²⁵¹ *Id.*

²⁵² Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵³ Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵⁴ See Sections 3(a)(2)(B)(i)(h), 3(a)(2)(B)(ii)(h), 3(a)(2)(B)(iii)(h) and 3(a)(2)(B)(iv)(h) above.

²⁵⁵ *Id.*

²⁵⁶ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁷ See Section 3(a)(2)(B)(i)(i) above.

²⁵⁸ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁵⁹ *Id.*

²⁶⁰ See Section 3(a)(2)(B)(i)(i) above.

²⁶¹ See Sections 3(a)(2)(B)(i)(i), 3(a)(2)(B)(ii)(i), 3(a)(2)(B)(iii)(i) and 3(a)(2)(B)(iv)(i) above.

²⁶² *Id.*

²⁶³ See Section 3(a)(2)(B)(i)(i) above.

important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶⁴

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁵ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁶ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁷ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁸ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A

appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁹ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁷⁰

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷¹ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002

per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷² and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described hererin.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷³ In approving the CAT Funding Model, the SEC stated that "[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate."²⁷⁴ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of

²⁶⁴ *Id.*

²⁶⁵ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁶ See Section 3(a)(2)(B)(i)(j) above.

²⁶⁷ See Sections 3(a)(2)(B)(i)(j), 3(a)(2)(B)(ii)(j), 3(a)(2)(B)(iii)(j) and 3(a)(2)(B)(iv)(j) above.

²⁶⁸ *Id.*

²⁶⁹ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁷⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷¹ CAT Funding Model Approval Order at 13445, n.677.

²⁷² *Id.* at 13469.

²⁷³ See Section 11.3(b) of the CAT NMS Plan.

²⁷⁴ CAT Funding Model Approval Order at 13412.

fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate

for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁵ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁶ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants

(including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²⁷⁷ and Rule 19b-4(f)(2) thereunder,²⁷⁸ because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

²⁷⁵ 15 U.S.C. 78f(b)(8).

²⁷⁶ CAT Funding Model Approval Order at 13479–13481.

²⁷⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁸ 17 CFR 240.19b-4(f)(2).

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSETEX-2026-12 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-NYSETEX-2026-12. This

file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from

publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSETEX-2026-12 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁹

Stephanie J. Fouse,

Assistant Secretary.

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²⁷⁹ 17 CFR 200.30-3(a)(12).



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Part IX

Securities and Exchange Commission

Self-Regulatory Organizations; MIAX Emerald, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the MIAX Emerald Options Exchange Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105410; File No. SR–EMERALD–2026–11]

Self-Regulatory Organizations; MIAX Emerald, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the MIAX Emerald Options Exchange Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”)¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, MIAX Emerald, LLC (“MIAX Emerald” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the MIAX Emerald Options Exchange Fee Schedule (the “Fee Schedule”) to establish fees for Industry Members³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit

Trail, LLC (“CAT LLC” or “the Company”)⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-options/emerald-options/rule-filings>, and at the Exchange’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the

Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Miami International Securities Exchange LLC (“MIAX Rule”) Rule 1701(u). The Exchange notes that MIAX Chapter XVII is incorporated by reference into the Exchange’s rulebook. As such, MIAX Chapter XVII also applies to the Exchange. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See MIAX Rule 1701.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBSs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁴ The Plan further states that "Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each

Historical CAT Assessment."¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a "CAT Executing Broker" to mean:

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ Securities Exchange Act Rel. No. 100961 (August 23, 2024), 89 FR 75798 (September 16, 2024) (SR-EMERALD-2024-24).

¹⁸ Securities Exchange Act Rel. No. 100825 (August 19, 2024), 89 FR 71524 (September 03, 2024) (SR-EMERALD-2024-23).

¹⁹ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23-13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025-4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

¹² In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party ..	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent

share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ Securities Exchange Act Rel. No. 100961 (August 23, 2024), 89 FR 75798 (September 16, 2024) (SR-EMERALD–2024–24).

Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to

recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 ("Excluded Costs"). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing "a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs." ²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and

maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 ("Pre-FAM Period") and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with "an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available." The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT

NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. ("AWS"), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ Securities Exchange Act Rel. No. 100961 (August 23, 2024), 89 FR 75798 (September 16, 2024) (SR-EMERALD-2024-24).

³¹ With respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT's subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to

comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as "CAT LLC"),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT

Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it "must be sized to receive[,] process and load more than 58 billion records per day,"³⁵ and that "[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data."³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate

and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program

management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and

after the effectiveness of the proposed amendment of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D-4 of the CAT NMS Plan at n.262.

³⁶ Appendix D-5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) ("Phased Reporting Exemptive Relief Order") for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C-109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

- a. FINRA's specialized technical expertise and capabilities in the area of broker-dealer technology;
- b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;
- c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and
- d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into

consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers

to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the

⁴² The term "Bidder" is defined in Section 1.1 of the CAT NMS Plan.

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers (“LTID”) earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the

CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/markreg/rule613-info-notice-of-plan-processor-selection.pdf>.

WilmerHale's billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale's performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale's compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group ("DAG");
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted

related amendments of the CAT NMS Plan and related filings;

- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC's amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the "Reporter Agreement"). During that period, Pillsbury advised CAT LLC

regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP ("Deloitte") as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm's qualifications, resources, and expertise; (2) the firm's relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte's fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte's compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;

- Provided support for updating the SEC on the progress of the development of the CAT;

- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;

- Coordinated efforts regarding the selection of the successor Plan Processor;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and

- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury

functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and

⁵¹ Section 9.2 of the CAT NMS Plan.

- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP (“Grant Thornton”). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC’s financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC’s financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton’s fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved

among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees	
Legal	481,687
Consulting	137,209
Insurance	
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland

continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options

market maker quote sent time, TRF linkages, and allocations;

- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;

- Assisted with compliance with Regulation SCI;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;

- Assisted with communications and presentations for the industry regarding CAIS;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding CAT technical specifications;

- Assisted with third-party vendor agreements; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The

consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services.

The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related

to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020—December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

	Operating expense	Historical CAT costs for FAM Period 2 **
Capitalized Developed Technology Costs *		\$6,761,094
Technology Costs		31,460,033
Cloud Hosting Services		20,709,212
Operating Fees		9,108,700
CAIS Operating Fees		1,590,298
Change Request Fees		51,823
Legal		2,766,644
Consulting		532,146
Insurance		976,098
Professional and administration		438,523
Public relations		41,940

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2**
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

	Date range: 8/1/20—12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan

Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical

Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and

⁵⁸ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.<

⁵⁹ See definition of "Full Implementation of Core Equity Reporting Requirements" in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the

addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;

- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public

relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶¹ which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBSSs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3 **
Capitalized Developed Technology Costs *.	\$10,763,372
<i>Technology Costs</i>	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees ...	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration.	595,923
Public relations	92,400
Total Operating Expenses.	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order

across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT,

such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM

Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;

⁶²As discussed above, with respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁶³ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the

development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports

required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Provided assistance with change requests;
- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;
- Assisted with communications with the industry, including CAT Alerts and presentations;
- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;
- Assisted with cost management analysis and proposals; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting

fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;

- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15,

2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard

to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017– November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
Technology Costs:	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018

include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and

FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

related amendments of the CAT NMS Plan;

- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin.

From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from

November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023.⁷⁵

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that "Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs."⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment

are collected."⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing

Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of

payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that: Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and

expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for

Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member's system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;
- Special handling instructions for the original receipt or origination of an order during Phase 2a; and
- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'" ¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either

received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-

thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" as:

the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- "Production Go-Live for Equities 2a Intrafirm Linkage validations" was completed on 7/27/2020;¹¹⁰
- "Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020; and
- "Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT

LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines "Full Availability and Regulatory Utilization of Transactional Database Functionality" as: the point at which: (a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade

large sets of data that can then be used in internal surveillance or market analysis applications."

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) ("Settlement Exemptive Order").

reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the "Full Availability and Regulatory Utilization of Transactional Database Functionality" requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System ("OATS") is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to "provide Participants and the SEC with access to all CAT Data stored in the Central Repository" via an "online targeted query tool," and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will "deliver

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average

price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3)

all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter’s order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that “Phase 2a was fully implemented as of October

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

¹¹⁹ *Id.*

¹²⁰ *Id.* at 23079–80.

26, 2020;” “Phase 2b was fully implemented as of January 4, 2021;” “Phase 2c was implemented as of April 26, 2021;” and “Phase 2d was fully implemented as of December 13, 2021.”¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- “Production Go-Live for Equities 2c reporting requirements (Large Industry Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of

Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided

that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not

be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or

Continued

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in

unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors." 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may "exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system." 17 CFR 242.608(e).

¹³⁹ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.")

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan sponsors").¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal,

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal ("RFP")

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFI") process to create and implement a

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC's website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process “to determine the best technical solution for developing a consolidated audit trail.” FIF suggested that the Commission “should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will

proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified

Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the

DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that: Doing so will provide the public an opportunity to consider and comment

on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published

the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- **Breadth of Cloud Activities.** AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- **High Data Volume.** The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- **Plan Requirements.** The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- **Cost Avoidance Efforts.** CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements,

and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- **Industry Member Reporting.** In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly,

Industry Members are not required to perform this costly task.

- **File Submission Process.** The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- **Error Corrections.** The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- **Data Ingestion Format.** The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly

defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- **Broad Suitability.** AWS has a long track record of successfully serving cloud customers with mission-critical projects.
- **Proven Scalability.** AWS has demonstrated that it is capable of building and delivering services on a large scale.
- **Track Record of Innovation.** AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.
- **Resiliency/Dependability.** Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

• **Technical and Customer Support.** AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

• **Scale.** AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

• **Security.** AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and

implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission's interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay

in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that "the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor," and that "the process set forth in the Selection Plan should be permitted to continue."¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the

selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that "SIFMA looks forward to commencing work with the SROs and Thesys."¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission recognized that "[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members."¹⁸⁴ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably budgeted CAT costs shall include . . . CAIS operating fees."¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings "a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees."¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.

- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.

- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
 - The full, final CAIS Technical Specifications were published on January 29, 2021.
 - Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²
- As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in

terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . .

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to

the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of

the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- Reconciliation of CAT Invoices to Underlying Trades: Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- Matching Trades to Books and Records: Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- Order Originator Identification: Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC

provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade

Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for

many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- **Technical Specifications and Scenarios.** CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details

schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- **Industry Webinars.** CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

- **CAT Alert.** CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- **Frequently Asked Questions (FAQs).** CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- **Substantial Past Experience with CAT Billing Processes.** To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- **Help Desk Assistance.** CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its

facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed

Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide: a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed

technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated

costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²¹ CAT Funding Model Approval Order at 13481.

²²² *Id.*

prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁸

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services

provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests

are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan

²³¹ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it is appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of

issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate

to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800-53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market

participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that "[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate."²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is

lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance

of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,²⁷⁶ and Rule 19b-4(f)(2)²⁷⁷ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²⁷⁸ and Rule 19b-4(f)(2) thereunder,²⁷⁹

because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-EMERALD-2026-11 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-EMERALD-2026-11. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-EMERALD-2026-11 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸⁰

Stephanie J. Fouse,

Assistant Secretary.

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²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁷ 17 CFR 240.19b-4(f)(2).

²⁷⁸ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁹ 17 CFR 240.19b-4(f)(2).

²⁸⁰ 17 CFR 200.30-3(a)(12).



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Part X

Securities and Exchange Commission

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the MIAX Pearl Equities Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105411; File No. SR–PEARL–2026–19]

Self-Regulatory Organizations; MIAx PEARL, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the MIAx Pearl Equities Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, MIAx PEARL, LLC (“MIAx Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the fee schedule (the “Fee Schedule”) applicable to MIAx Pearl Equities, an equities trading facility of the Exchange, to establish fees for Industry Members ³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit

Trail, LLC (“CAT LLC” or “the Company”) ⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-equities/pearl-equities/rule-filings> and at MIAx Pearl’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the

Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).” ¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Miami International Securities Exchange LLC (“MIAx Rule”) Rule 1701(u). The Exchange notes that MIAx Chapter XVII is incorporated by reference into the Exchange’s rulebook. As such, MIAx Chapter XVII also applies to the Exchange. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See MIAx Rule 1701.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBSs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee

approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁴ The Plan further states that “Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment.”¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/ 13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹² In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate.” CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ Securities Exchange Act Rel. No. 100953 (August 23, 2024), 89 FR 73950 (September 11, 2024) (SR–PEARL–2024–37).

¹⁸ Securities Exchange Act Rel. No. 100873 (August 19, 2024), 89 FR 72600 (September 05, 2024) (SR–PEARL–2024–35).

¹⁹ In response to the Eleventh Circuit’s decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. *See* American Securities Association v. SEC, No. 23–13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding

Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” *See* CAT Funding Model Approval Order at 13424.

EQUITY ORDER TRADE (EOT)²³—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be

counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the

original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs

share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ Securities Exchange Act Rel. No. 100953 (August 23, 2024), 89 FR 73950 (September 11, 2024) (SR-PEARL-2024-37).

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent

and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to

provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22,

2020 (“Pre-FAM Period”) and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT Costs 1 for Pre-FAM Period (Prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and

capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ Securities Exchange Act Rel. No. 100953 (August 23, 2024), 89 FR 73950 (September 11, 2024) (SR-PEARL-2024-37).

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as "CAT LLC"),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting

services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT

NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it "must be sized to receive[,] process and load more than 58 billion records per day,"³⁵ and that "[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data."³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website

and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection

of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA's specialized technical expertise and capabilities in the area of broker-dealer technology;

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D-4 of the CAT NMS Plan at n.262.

³⁶ Appendix D-5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) ("Phased Reporting Exemptive Relief Order") for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C-109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term "Bidder" is defined in Section 1.1 of the CAT NMS Plan.

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after

substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent

the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial

Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry

Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketregrule613-info-notice-of-plan-processor-selection.pdf>.

Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;

- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM

Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant’s independent reviews;

- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;

- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;

- Provided support for updating the SEC on the progress of the development of the CAT;

- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;

- Coordinated efforts regarding the selection of the successor Plan Processor;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and

- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period.

Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period

from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

⁵¹ Section 9.2 of the CAT NMS Plan.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates

for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise

and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees	
Legal	481,687
Consulting	137,209
Insurance	
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in

technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during

FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

staff, Industry Members and Participants on the Technical Specifications;

- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;

- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;

- Assisted with compliance with Regulation SCI;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;

- Assisted with communications and presentations for the industry regarding CAIS;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding CAT technical specifications;

- Assisted with third-party vendor agreements; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model

and assistance with loans and the CAT bank account for CAT funding;

- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;

- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting

such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBSSs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2**
Capitalized Developed Technology Costs*	\$6,761,094
<i>Technology Costs</i>	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁸ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of

capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the

capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

Date range: 8/1/20–12/31/20	
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry

Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee

rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT

NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin.

CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton.

CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the

CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶¹ which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBSSs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior

periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and

procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to

⁶² As discussed above, with respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁶³ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

SEC's October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among

other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution.

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related

to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry

Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin.

From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's

performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24

months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that "Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs."⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the

Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected."⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall

receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for

Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from

such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBSS with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the

Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member's system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'" ¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option

orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above,

are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" as: the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- "Production Go-Live for Equities 2a Intrafirm Linkage validations" was completed on 7/27/2020;¹¹⁰
- "Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020; and
- "Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT

LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines "Full Availability and Regulatory Utilization of Transactional Database Functionality" as: the point at which: (a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding

via an "online targeted query tool," and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will "deliver large sets of data that can then be used in internal surveillance or market analysis applications."

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) ("Settlement Exemptive Order").

Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the "Full Availability and Regulatory Utilization of Transactional Database Functionality" requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System ("OATS") is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to "provide Participants and the SEC with access to all CAT Data stored in the Central Repository"

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time;

(13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e

Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter’s order handling and execution system (*e.g.*,

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

¹¹⁹ *Id.*

quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that “Phase 2a was fully implemented as of October 26, 2020;” “Phase 2b was fully implemented as of January 4, 2021;” “Phase 2c was implemented as of April 26, 2021;” and “Phase 2d was fully implemented as of December 13, 2021.”¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- “Production Go-Live for Equities 2c reporting requirements (Large Industry Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was

less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third

(\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are

availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMS, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMS 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal

Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMS 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan expressly contemplates the Commission’s ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to

the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as “plan sponsors”), and between the Participants and Industry Members (referred to as “members of the plan sponsors”).¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan (“Pre-Formation Costs”) were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The

Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC’s adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal (“RFP”)

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC’s adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC’s website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested “that the SROs should

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹³⁹ Section 12.3 of the CAT NMS Plan (“[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.”)

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

In this regard, several commenters suggested that the Commission undergo a RFP or request for information (“RFI”) process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process “to determine the best technical solution for developing a consolidated audit trail.” FIF suggested that the Commission “should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable

approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which

bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will

select the processor through a ‘request for proposal.’” Rule 613 Adopting Release at 45785.

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is

consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several

amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- **Breadth of Cloud Activities.** AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- **High Data Volume.** The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- **Plan Requirements.** The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- **Cost Avoidance Efforts.** CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements,

and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- **Industry Member Reporting.** In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly,

Industry Members are not required to perform this costly task.

- **File Submission Process.** The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- **Error Corrections.** The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- **Data Ingestion Format.** The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly

defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- **Broad Suitability.** AWS has a long track record of successfully serving cloud customers with mission-critical projects.
- **Proven Scalability.** AWS has demonstrated that it is capable of building and delivering services on a large scale.
- **Track Record of Innovation.** AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.
- **Resiliency/Dependability.** Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

• **Technical and Customer Support.** AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

• **Scale.** AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

• **Security.** AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and

implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission's interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay

in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that "the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor," and that "the process set forth in the Selection Plan should be permitted to continue."¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the

selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that "SIFMA looks forward to commencing work with the SROs and Thesys."¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission recognized that "[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members."¹⁸⁴ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably budgeted CAT costs shall include . . . CAIS operating fees."¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings "a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees."¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.

- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.

- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
- The full, final CAIS Technical Specifications were published on January 29, 2021.
- Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²

As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and

complexity. During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition,

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an

application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is

appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- Reconciliation of CAT Invoices to Underlying Trades: Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- Matching Trades to Books and Records: Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- Order Originator Identification: Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC

provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade

Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for

many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- **Technical Specifications and Scenarios.** CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details

schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- **Industry Webinars.** CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

- **CAT Alert.** CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- **Frequently Asked Questions (FAQs).** CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- **Substantial Past Experience with CAT Billing Processes.** To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- **Help Desk Assistance.** CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its

facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed

Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed

technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated

costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²¹ CAT Funding Model Approval Order at 13481.

²²² *Id.*

prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁸

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services

provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests

are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan

²³¹ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it is appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of

issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate

to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800-53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market

participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that "[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate."²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is

lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance

of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,²⁷⁶ and Rule 19b-4(f)(2)²⁷⁷ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine

whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-PEARL-2026-19 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-PEARL-2026-19. This file number should be included on the subject line if email is used. To help the

Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-PEARL-2026-19 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁸

Stephanie J. Fouse,
Assistant Secretary.

[FR Doc. 2026-09361 Filed 5-11-26; 8:45 am]

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²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁷ 17 CFR 240.19b-4(f)(2).

²⁷⁸ 17 CFR 200.30-3(a)(12).



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Part XI

Securities and Exchange Commission

Self-Regulatory Organizations; MIAX PEARL, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the MIAX Pearl Options Exchange Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105412; File No. SR–PEARL–2026–18]

Self-Regulatory Organizations; MIAx PEARL, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the MIAx Pearl Options Exchange Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, MIAx PEARL, LLC (“MIAx Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the fee schedule applicable to the options trading platform of MIAx Pearl (the “Fee Schedule”) to establish fees for Industry Members ³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit

Trail, LLC (“CAT LLC” or “the Company”) ⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-options/pearl-options/rule-filings> and at MIAx Pearl’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the

Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).” ¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Miami International Securities Exchange LLC (“MIAx Rule”) Rule 1701(u). The Exchange notes that MIAx Chapter XVII is incorporated by reference into the Exchange’s rulebook. As such, MIAx Chapter XVII also applies to the Exchange. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See MIAx Rule 1701.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBSs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee

approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁴ The Plan further states that “Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment.”¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹² In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate.” CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ Securities Exchange Act Rel. No. 100952 (August 23, 2024), 89 FR 74780 (September 12, 2024) (SR–PEARL–2024–36).

¹⁸ Securities Exchange Act Rel. No. 100872 (August 19, 2024), 89 FR 72501 (September 05, 2024) (SR–PEARL–2024–34).

¹⁹ In response to the Eleventh Circuit’s decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. *See American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding

Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” *See* CAT Funding Model Approval Order at 13424.

EQUITY ORDER TRADE (EOT)²³—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party ..	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a

transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by

the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0—r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent

share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ Securities Exchange Act Rel. No. 100952 (August 23, 2024), 89 FR 74780 (September 12, 2024) (SR-PEARL–2024–36).

1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBSS collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBSS via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBSS collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBSS collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are

provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBSS paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following

describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the

capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ Securities Exchange Act Rel. No. 100952 (August 23, 2024), 89 FR 74780 (September 12, 2024) (SR-PEARL-2024-36).

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT's subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as "CAT LLC"),³³ and FCAT, in turn, paid

AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in

excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it "must be sized to receive[,] process and load more than 58 billion records per day,"³⁵ and that "[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data."³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the

FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make

a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D-4 of the CAT NMS Plan at n.262.

³⁶ Appendix D-5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) ("Phased Reporting Exemptive Relief Order") for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C-109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term "Bidder" is defined in Section 1.1 of the CAT NMS Plan.

a. FINRA's specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios

documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporated ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and

considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain

modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15,

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage,

allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;

- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry

Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;

- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT,

Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly

fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these

⁵¹ Section 9.2 of the CAT NMS Plan.

considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP ("RSM"). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800-53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC

determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. ("Peppercomm"). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this

engagement decision after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm's length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company ("Sloane"). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact's history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact's history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones ("FAM Period 1"),⁵³ which covers the period from June 22, 2020—July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 ^{**}
Capitalized Developed Technology Costs *	\$1,684,870
<i>Technology Costs</i>	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees .....	.....
Legal	481,687
Consulting	137,209
Insurance .....	.....
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM

Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM

Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work

on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant

to Section 6.6(c)(i) of the CAT NMS Plan;

- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings

and communications, and interfacing with law firms and the SEC;

- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;

- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public

comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020—December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2**
Capitalized Developed Technology Costs *	\$6,761,094
<i>Technology Costs</i>	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

Date range: 8/1/20–12/31/20	
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and

overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to

Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

⁵⁸ As discussed above, with respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services

provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by

CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were

competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;

• Worked with and provided support to the Operating Committee and various CAT working groups;

• Prepared monthly, quarterly and annual financial statements;

• Supported the annual financial statement audit by an independent auditor; and

• Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public

regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶¹ which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
<i>Technology Costs</i>	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior

Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and

procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to

⁶² As discussed above, with respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁶³ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

SEC's October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among

other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution.

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related

to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such

costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15,

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the

Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin.

From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing

a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by

doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31

fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

filing for a Historical CAT Assessment.⁸³

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that "Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs."⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected."⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹ Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are

provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for

Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker

fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred

during Periods 1, 2 and 3 of the Financial Accountability Milestones.

A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by

July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member's system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'" ¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible

Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the

CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" as:

the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- "Production Go-Live for Equities 2a Intrafirm Linkage validations" was completed on 7/27/2020;¹¹⁰
- "Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020; and
- "Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available

attributes and data sources.¹¹¹ As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBSS paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines "Full Availability and Regulatory Utilization of Transactional Database Functionality" as: the point at which: (a) reporting to the Order Audit Trail System ("OATS") is

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to "provide Participants and the SEC with access to all CAT Data stored in the Central Repository" via an "online targeted query tool," and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will "deliver large sets of data that can then be used in internal surveillance or market analysis applications."

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) ("Settlement Exemptive Order").

no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)-(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the "Full Availability and Regulatory Utilization of Transactional Database Functionality" requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System ("OATS") is no longer required for new orders. As CAT LLC reported on its Quarterly

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

Progress Report for the fourth quarter of 2021.¹¹⁵ FINRA retired OATS effective September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order

effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a

Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received

¹¹⁵ *Id.*

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

¹¹⁹ *Id.*

other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry Members)" was completed on April 26, 2021;

- "LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)" was completed on April 26, 2021;

- "FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)" was completed on December 13, 2021;

- "Production Go-Live for Options 2d reporting requirements (Large Industry Members)" was completed on December 13, 2021;

- "Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)" was completed on December 13, 2021;

- "Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)" was completed on December 13, 2021;

- "Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)" was completed on December 13, 2021;

- "LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)" was completed on December 13, 2021; and

- "LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)" was completed on December 13, 2021.¹²²

The third prong of "Full Availability and Regulatory Utilization of Transactional Database Functionality" also imposes an Error Rate requirement of 5% or less. The Quarterly Progress

Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of "Full Availability and Regulatory Utilization of Transactional Database Functionality" requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to "develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository." The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be

responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBSSs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones ("FAMs") for Periods 1 through 3.¹²⁶ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes ("RFQs") that are not immediately actionable ("NIA Electronic RFQ Responses") affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered "orders" reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are "orders," as the definition of "order" is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members', not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that "Industry Members must determine whether trading interest falls within the definition of an 'order' for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an 'order' as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT."¹²⁷

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would

be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal

Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan expressly contemplates the Commission’s ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to

the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as “plan sponsors”), and between the Participants and Industry Members (referred to as “members of the plan sponsors”).¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan (“Pre-Formation Costs”) were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The

Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC’s adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal (“RFP”)

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC’s adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC’s website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested “that the SROs should

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹³⁹ Section 12.3 of the CAT NMS Plan (“[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.”)

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

In this regard, several commenters suggested that the Commission undergo a RFP or request for information (“RFI”) process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process “to determine the best technical solution for developing a consolidated audit trail.” FIF suggested that the Commission “should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable

approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which

bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will

select the processor through a ‘request for proposal.’” Rule 613 Adopting Release at 45785.

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is

consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several

amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- **Breadth of Cloud Activities.** AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- **High Data Volume.** The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- **Plan Requirements.** The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- **Cost Avoidance Efforts.** CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements,

and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- **Industry Member Reporting.** In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly,

Industry Members are not required to perform this costly task.

- **File Submission Process.** The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- **Error Corrections.** The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- **Data Ingestion Format.** The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly

defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- **Broad Suitability.** AWS has a long track record of successfully serving cloud customers with mission-critical projects.
- **Proven Scalability.** AWS has demonstrated that it is capable of building and delivering services on a large scale.
- **Track Record of Innovation.** AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.
- **Resiliency/Dependability.** Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

• **Technical and Customer Support.** AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

• **Scale.** AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

• **Security.** AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and

implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission's interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay

in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that "the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor," and that "the process set forth in the Selection Plan should be permitted to continue."¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the

selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that "SIFMA looks forward to commencing work with the SROs and Thesys."¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission recognized that "[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members."¹⁸⁴ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably budgeted CAT costs shall include . . . CAIS operating fees."¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings "a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees."¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.

- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.

- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹

- The full, final CAIS Technical Specifications were published on January 29, 2021.

- Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²

As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and

complexity. During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition,

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an

application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is

appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- Reconciliation of CAT Invoices to Underlying Trades: Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- Matching Trades to Books and Records: Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- Order Originator Identification: Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC

provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade

Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for

many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- **Technical Specifications and Scenarios.** CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details

schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- **Industry Webinars.** CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

- **CAT Alert.** CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- **Frequently Asked Questions (FAQs).** CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- **Substantial Past Experience with CAT Billing Processes.** To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- **Help Desk Assistance.** CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its

facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed

Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed

technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated

costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²¹ CAT Funding Model Approval Order at 13481.

²²² *Id.*

prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁸

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services

provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests

are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan

²³¹ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it is appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of

issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate

to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(III) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market

participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that "[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate."²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is

lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance

of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,²⁷⁶ and Rule 19b-4(f)(2)²⁷⁷ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine

whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-PEARL-2026-18 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-PEARL-2026-18. This file number should be included on the subject line if email is used. To help the

Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-PEARL-2026-18 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁸

Stephanie J. Fouse,
Assistant Secretary.

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²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁷ 17 CFR 240.19b-4(f)(2).

²⁷⁸ 17 CFR 200.30-3(a)(12).



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Part XII

Securities and Exchange Commission

Self-Regulatory Organizations; MIAX Sapphire, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the MIAX Sapphire Options Exchange Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105413; File No. SR–SAPPHIRE–2026–20]

Self-Regulatory Organizations; MIAX Sapphire, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the MIAX Sapphire Options Exchange Fee Schedule To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”) ¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 23, 2026, MIAX Sapphire, LLC (“MIAX Sapphire” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the MIAX Sapphire Options Exchange Fee Schedule (“Fee Schedule”) to establish fees for Industry Members ³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit

Trail, LLC (“CAT LLC” or “the Company”) ⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-options/all-options-exchanges/rule-filings>, and at MIAX Sapphire’s principal office.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS

Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).” ¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Miami International Securities Exchange LLC (“MIAX Rule”) Rule 1701(u). The Exchange notes that MIAX Chapter XVII is incorporated by reference into the Exchange’s rulebook. As such, MIAX Chapter XVII also applies to the Exchange. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See MIAX Rule 1701.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

“Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBSs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with

the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁴ The Plan further states that “Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment.”¹⁵

Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBS for each applicable transaction in Eligible

Securities.²¹ The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹² In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate.” CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ Securities Exchange Act Rel. No. 100962 (August 23, 2024), 89 FR 75848 (September 16, 2024) (SR–SAPPHIRE–2024–27).

¹⁸ Securities Exchange Act Rel. No. 100875 (August 19, 2024), 89 FR 72623 (September 05, 2024) (SR–SAPPHIRE–2024–24).

¹⁹ In response to the Eleventh Circuit’s decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. *See* American Securities Association v. SEC, No. 23–13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding

Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” *See* CAT Funding Model Approval Order at 13424.

EQUITY ORDER TRADE (EOT)²³—Continued

No.	Field name	Data type	Description	Include key
			Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party ..	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a

transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by

the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent

share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ Securities Exchange Act Rel. No. 100962 (August 23, 2024), 89 FR 75848 (September 16, 2024) (SR-SAPPHIRE-2024-27).

1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBSS collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBSS via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBSS collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBSS collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are

provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBSS paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

**The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following

describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the

capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ Securities Exchange Act Rel. No. 100962 (August 23, 2024), 89 FR 75848 (September 16, 2024) (SR-SAPPHIRE-2024-27).

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT's subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as "CAT LLC"),³³ and FCAT, in turn, paid

AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in

excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it "must be sized to receive[,] process and load more than 58 billion records per day,"³⁵ and that "[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data."³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the

FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make

a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D-4 of the CAT NMS Plan at n.262.

³⁶ Appendix D-5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) ("Phased Reporting Exemptive Relief Order") for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C-109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term "Bidder" is defined in Section 1.1 of the CAT NMS Plan.

a. FINRA's specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios

documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporated ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and

considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain

modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15,

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketregrule613-info-notice-of-plan-processor-selection.pdf>.

2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage,

allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;

- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry

Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;

- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT,

Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly

fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these

⁵¹ Section 9.2 of the CAT NMS Plan.

considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP ("RSM"). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800-53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC

determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. ("Peppercomm"). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this

engagement decision after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm's length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company ("Sloane"). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact's history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact's history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones ("FAM Period 1"),⁵³ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
<i>Technology Costs</i>	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees .....	.....
Legal	481,687
Consulting	137,209
Insurance .....	.....
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM

Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM

Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work

on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant

to Section 6.6(c)(i) of the CAT NMS Plan;

- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings

and communications, and interfacing with law firms and the SEC;

- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;

- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public

comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2**
Capitalized Developed Technology Costs *	\$6,761,094
Technology Costs	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

Date range: 8/1/20–12/31/20	
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and

overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to

Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

⁵⁸ As discussed above, with respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services

provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by

CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were

competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;

• Worked with and provided support to the Operating Committee and various CAT working groups;

• Prepared monthly, quarterly and annual financial statements;

• Supported the annual financial statement audit by an independent auditor; and

• Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public

regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶¹ which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
<i>Technology Costs</i>	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)-(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior

Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and

procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to

⁶² As discussed above, with respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁶³ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

SEC's October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among

other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution.

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related

to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018*
Capitalized Developed Technology Costs	\$37,852,083
Technology Costs:	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

*The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry

Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin.

From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's

performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24

months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that "Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs."⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the

Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected."⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall

receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for

Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure to Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from

such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBSSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the

Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member's system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'" ¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option

orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above,

are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" as: the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- "Production Go-Live for Equities 2a Intrafirm Linkage validations" was completed on 7/27/2020;¹¹⁰
- "Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020; and
- "Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)" was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT

LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines "Full Availability and Regulatory Utilization of Transactional Database Functionality" as: the point at which: (a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding

via an "online targeted query tool," and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will "deliver large sets of data that can then be used in internal surveillance or market analysis applications."

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) ("Settlement Exemptive Order").

Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the "Full Availability and Regulatory Utilization of Transactional Database Functionality" requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System ("OATS") is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to "provide Participants and the SEC with access to all CAT Data stored in the Central Repository"

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time;

(13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e

Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter’s order handling and execution system (*e.g.*,

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

¹¹⁹ *Id.*

quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that “Phase 2a was fully implemented as of October 26, 2020;” “Phase 2b was fully implemented as of January 4, 2021;” “Phase 2c was implemented as of April 26, 2021;” and “Phase 2d was fully implemented as of December 13, 2021.”¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- “Production Go-Live for Equities 2c reporting requirements (Large Industry Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was

less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third

(\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are

availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMS, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMS 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal

Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMS 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan expressly contemplates the Commission’s ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to

the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as “plan sponsors”), and between the Participants and Industry Members (referred to as “members of the plan sponsors”).¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan (“Pre-Formation Costs”) were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The

Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC’s adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal (“RFP”)

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC’s adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC’s website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested “that the SROs should

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹³⁹ Section 12.3 of the CAT NMS Plan (“[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.”)

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

In this regard, several commenters suggested that the Commission undergo a RFP or request for information (“RFI”) process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process “to determine the best technical solution for developing a consolidated audit trail.” FIF suggested that the Commission “should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable

approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which

bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will

select the processor through a ‘request for proposal.’” Rule 613 Adopting Release at 45785.

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is

consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several

amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (*e.g.*, Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (*e.g.*, Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the

breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- **Breadth of Cloud Activities.** AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- **High Data Volume.** The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- **Plan Requirements.** The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- **Cost Avoidance Efforts.** CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT.

However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry

Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT

NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- **Industry Member Reporting.** In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort

of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- **File Submission Process.** The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- **Error Corrections.** The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- **Data Ingestion Format.** The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are

defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (*e.g.*, Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- **Broad Suitability.** AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- **Proven Scalability.** AWS has demonstrated that it is capable of building and delivering services on a large scale.

- **Track Record of Innovation.** AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- **Resiliency/Dependability.** Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

- **Technical and Customer Support.** AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- **Scale.** AWS is capable of supporting large-scale solutions, which is critical

given the size and magnitude of the CAT.

- **Security.** AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (*e.g.*, organizational setup, identify management, accounts, environments, DevOps tooling likes release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just

as with other aspects of the Plan.

Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

¹⁷⁴ See, *e.g.*, Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission's interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which

Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that "the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor," and that "the process set forth in the Selection Plan should be permitted to continue."¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or

otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that "SIFMA looks forward to commencing work with the SROs and Thesys."¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission recognized that "[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members."¹⁸⁴ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably budgeted CAT costs shall include . . . CAIS operating fees."¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings "a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees."¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for

Large Industry Members went live on April 26, 2021.

- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
- The full, final CAIS Technical Specifications were published on January 29, 2021.
- Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²

As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the

CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as discussed above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC

requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- Reconciliation of CAT Invoices to Underlying Trades: Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- Matching Trades to Books and Records: Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- Order Originator Identification: Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC

provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade

Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for

many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- **Technical Specifications and Scenarios.** CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details

schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- **Industry Webinars.** CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

- **CAT Alert.** CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- **Frequently Asked Questions (FAQs).** CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- **Substantial Past Experience with CAT Billing Processes.** To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- **Help Desk Assistance.** CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its

facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed

Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed

technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated

costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (*e.g.*, the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, *see* Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ *See* Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²¹ CAT Funding Model Approval Order at 13481.
²²² *Id.*

prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁸

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services

provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests

are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan

²³¹ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it is appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of

issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate

to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800-53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market

participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that "[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate."²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is

lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance

of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act,²⁷⁶ and Rule 19b-4(f)(2)²⁷⁷ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine

whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-SAPPHIRE-2026-20 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-SAPPHIRE-2026-20. This file number should be included on the subject line if email is used. To help the

Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-SAPPHIRE-2026-20 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁸

Stephanie J. Fouse,
Assistant Secretary.

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²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁷ 17 CFR 240.19b-4(f)(2).

²⁷⁸ 17 CFR 200.30-3(a)(12).



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Part XIII

Securities and Exchange Commission

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105416; File No. SR–BOX–2026–12]

Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 7, 2026.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 24, 2026, BOX Exchange LLC (the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to establish fees for Industry Members³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the Company”)⁴ and referred to as

Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. The text of the proposed rule change is available from the principal office of the Exchange, and also on the Exchange’s internet website at <https://rules.boxexchange.com/rulefilings>.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented

on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Exchange Rule 16010 (Consolidated Audit Trail—Definitions). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Exchange Rule Series 16000 (CONSOLIDATED AUDIT TRAIL COMPLIANCE RULE).

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBSs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁴ The Plan further states that

"Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each Historical CAT Assessment." ¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade.	C

¹² In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ See Securities Exchange Act Rel. No. 100936 (Sep. 5, 2024), 89 FR 74430 (Sep. 12, 2024) (SR-BOX-2024-21).

¹⁸ See Exchange Fee Schedule, paragraph A.1.c. of Section VIII. (Consolidated Audit Trail Funding Fees).

¹⁹ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23-13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025-4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding

Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

EQUITY ORDER TRADE (EOT)²³—Continued

No.	Field name	Data type	Description	Include key
		Not required if there is no order for the side as indicated by the NOBUYID/ NOSELLID instruction. This must be provided if orderID is provided.		

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party.	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent

share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ See Securities Exchange Act Rel. No. 100936 (Sep. 5, 2024), 89 FR 74430 (Sep. 12, 2024) (SR–BOX–2024–21).

CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to

recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and

maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (prior to June 22, 2020)**
Capitalized Developed Technology Costs *	\$51,847,150
<i>Technology Costs</i>	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical

specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent

costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ See Securities Exchange Act Rel. No. 100936 (Sep. 5, 2024), 89 FR 74430 (Sep. 12, 2024) (SR-BOX-2024-21).

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT's subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of

services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as "CAT LLC"),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of

AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it "must be sized to receive[,] process and load more than 58 billion records per day,"³⁵ and that "[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data."³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to

FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website

and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and

after the effectiveness of the proposed amendment of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D-4 of the CAT NMS Plan at n.262.

³⁶ Appendix D-5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) ("Phased Reporting Exemptive Relief Order") for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C-109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

- a. FINRA's specialized technical expertise and capabilities in the area of broker-dealer technology;
- b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;
- c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and
- d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into

consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers

to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the

⁴² The term "Bidder" is defined in Section 1.1 of the CAT NMS Plan.

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com/>.

building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers (“LTID”) earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the

CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/markreg/rule613-info-notice-of-plan-processor-selection.pdf>.

WilmerHale's billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale's performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale's compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group ("DAG");
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted

related amendments of the CAT NMS Plan and related filings;

- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC's amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the "Reporter Agreement"). During that period, Pillsbury advised CAT LLC

regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP ("Deloitte") as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm's qualifications, resources, and expertise; (2) the firm's relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte's fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte's compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;

- Provided support for updating the SEC on the progress of the development of the CAT;

- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;

- Coordinated efforts regarding the selection of the successor Plan Processor;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and

- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Cost

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury

functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and

⁵¹ Section 9.2 of the CAT NMS Plan.

- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP (“Grant Thornton”). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC’s financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC’s financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton’s fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved

among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees	
Legal	481,687
Consulting	137,209
Insurance	
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland

continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options

market maker quote sent time, TRF linkages, and allocations;

- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The

consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services.

The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related

to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2 **
Capitalized Developed Technology Costs *	\$6,761,094
<i>Technology Costs</i>	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

	Date range: 8/1/20—12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2,

FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the development and implementation of the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;

⁵⁸ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁹ See definition of "Full Implementation of Core Equity Reporting Requirements" in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between

CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff,

including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance

during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;

- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm

provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶¹ which covers the period from January 1, 2021—December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs*	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3 **
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)-(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/ 21	Date range: 4/26/21 to 12/ 31/21 *
Average Daily Volume in Billions		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

⁶² As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁶³ See definition of "Full Availability and Regulatory Utilization of Transactional Database Functionality" in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT's activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for

Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services

provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP ("Covington") during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Provided assistance with change requests;
- Provided guidance and regulatory support for litigation regarding the response to the SEC's exemptive orders;
- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;
- Assisted with cost management analysis and proposals; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC's April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the SEC's October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the

2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance

during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
 - Provided cash management and treasury functions;
 - Facilitated bill payments;
 - Provided monthly bookkeeping;
 - Reviewed vendor invoices and documentation in support of cash disbursements;
 - Provided accounting research and consultations on various accounting, financial reporting and tax matters;
 - Addressed not-for-profit tax and accounting considerations;
 - Prepared tax returns;
 - Addressed various accounting, financial reporting and operating inquiries from Participants;
 - Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
 - Supported compliance with the CAT NMS Plan;
 - Worked with and provided support to the Operating Committee and various CAT working groups;
 - Prepared monthly, quarterly and annual financial statements;
 - Supported the annual financial statement audits by an independent auditor;
 - Reviewed historical costs from inception; and
 - Provided accounting and financial information in support of SEC filings.
- Accounting Firm: Grant Thornton.* CAT LLC continued to employ the

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals,

press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1

because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
Technology Costs	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud

hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing

interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;

- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor from November 16, 2018 through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from

November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to

describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the

Operating Committee is required to "reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months."⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that "[i]n the Commission's view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years." CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that "Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs."⁸⁵

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph A.2.a. of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph A.2.b. of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph B.1. of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected."⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph A.2.b. of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that:

Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph A.2. to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph A.2. would state the following:

(a) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(b) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(c) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(d) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph B.

Proposed paragraph A.2.b. of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph A.2.b. of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph B.2. of the fee schedule.

Proposed paragraph A.2.a. of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph A.2.b. of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph A.2.b. of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph A.2.b. of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph A.2.c. of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph A.2.d. of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph B.”

(B) Manner of Payment

Paragraph B.1. of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph B.1. states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph A. each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the Exchange proposes to require CAT

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph B.2. of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph A. within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph B.2. would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBSs with the ability to

⁹⁴ Section 11.4 of the CAT NMS Plan.

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT

Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that

are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member’s system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

- When routing an order, whether the order was routed as an intermarket sweep order (“ISO”).

In Phase 2a, Industry Members were not required to report modifications of

a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)” was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information” was completed on June 22, 2020.

In adopting the FAMS, the Commission stated that the options transaction reporting required for FAM Period 1 is “consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Options 2b file submission and data integrity validations.’”¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member’s order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated

in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Options 2b file submission and data integrity validations” was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information” was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines “Full Implementation of Core Equity Reporting” as: the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹⁰

- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and

- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered

via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBSSs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as:

the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)-(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the "Full Availability and Regulatory Utilization of Transactional Database Functionality" requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System ("OATS") is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of "Full Availability and Regulatory Utilization of Transactional Database Functionality" require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order. That Order states that "Phase 2c Industry Member Data" is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2)

quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA's Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System ("OMS")—Execution Management System ("EMS") scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an "interdealer quotation system," as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible

electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order. "Phase 2d Industry Member Data" is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹⁷ Phased Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry Members)" was completed on April 26, 2021;
- LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)" was completed on April 26, 2021;
- "FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements

(Large Industry Members)" was completed on December 13, 2021;

- "Production Go-Live for Options 2d reporting requirements (Large Industry Members)" was completed on December 13, 2021;

- "Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)" was completed on December 13, 2021;

- "Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)" was completed on December 13, 2021;

- "Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)" was completed on December 13, 2021;

- "LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)" was completed on December 13, 2021; and

- "LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)" was completed on December 13, 2021.¹²²

The third prong of "Full Availability and Regulatory Utilization of Transactional Database Functionality" also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of "Full Availability and Regulatory Utilization of Transactional Database Functionality" requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to "develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the

consolidated information contained in the Central Repository." The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones ("FAMs") for Periods 1 through 3.¹²⁶ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹¹⁹ *Id.*

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024,

Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays

to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

¹³³ *Id.* at 10.

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ *See, e.g.*, Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in

¹²⁷ *See* Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁸ *See, e.g.*, Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

¹³² *See* Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

(iii) November 2023 Order

CAT LLC does not believe that the Commission's November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the "November 2023 Order") affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that "the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones." ¹³⁷ The November 2023 Exemption Order is consistent with the Commission's repeated statements in the FAM adopting release that it would have "authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone," citing Section 36 of the Exchange Act and Rule 608. ¹³⁸ Similarly, the CAT NMS Plan expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement. ¹³⁹

effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to "conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors." 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may "exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system." 17 CFR 242.608(e).

¹³⁹ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A. ¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan

is granted irrespective of whether this Agreement has been amended.")

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

sponsors"). ¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal (“RFP”)

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC’s adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information (“RFI”) process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process “to determine the best technical solution for developing a consolidated audit trail.” FIF suggested that the Commission “should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of

technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will

build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC’s website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D–2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested “that the SROs should select the processor through a ‘request for proposal.’” Rule 613 Adopting Release at 45785.

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

ensuring that the Participants' joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a "reasonable approach," that "the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor," and that "the process set forth in the Selection Plan should be permitted to continue":

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, "the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data,

or its security and confidentiality."¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) ("2016 Exemptive Order").

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (*e.g.*, addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The SEC determined that both extensions

were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent

the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (*e.g.*, Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the

¹⁶¹ *Id.*

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants' independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals,

press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations ("DevOps") tools). AWS also was engaged to provide the various environments for CAT, such

as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

• *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source

community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent

analyses confirm these conclusions, noting that "AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios."¹⁷⁴ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, "[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires."¹⁷⁵

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of

the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, "[t]he best practice is to focus on a single primary strategic provider."¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably budgeted CAT costs shall include . . . legal costs."¹⁷⁷ In addition,

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) ("Strategic Cloud Assessment Article").

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT.

Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would

remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesys.”¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁴

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/markreg/rule613-info-notice-of-plan-processor-selection.pdf>

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs

related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to

educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
- The full, final CAIS Technical Specifications were published on January 29, 2021.
- Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²

As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as

a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;

- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of

self-regulatory organizations independent of CAT; and

- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms’ ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a “reconciliation” and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm’s internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm’s internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms’ Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm’s internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying

trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters’ ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices (“Additional Trade Details”). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter’s internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant

complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT

LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to

to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485

participants and 394 participants attended the two webinars, respectively.

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully

addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its

statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(4) and (5).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical

Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS

Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁰ CAT NMS Plan Approval Order at 84696.

²²¹ CAT Funding Model Approval Order at 13481.

²²² *Id.*

the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing

reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁸

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan

Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(III)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

²³¹ See Sections 3(a)(2)(B)(i)(a)(II), 3(a)(2)(B)(i)(b)(II), 3(a)(2)(B)(i)(c)(II) and 3(a)(2)(B)(i)(d)(II) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(III)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(III)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²²⁵ Appendix D-4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it is appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC,

Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, “[i]t is the intent of the Participants that the Company have no employees.” Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

services performed by Deloitte and the costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors’ and officers’ liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include “[i]nsurance against security breaches.”²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by

counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph A.2.b. of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be

charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate.”²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated

pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Exchange Act²⁷⁶ and Rule 19b-4(f)(2) thereunder,²⁷⁷ because it establishes or changes a due, or fee.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend the rule change if it appears to the Commission that the action is necessary or appropriate in the public interest, for the protection of investors, or would otherwise further the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or

- Send an email to rule-comments@sec.gov. Please include file number SR-BOX-2026-12 on the subject line.

Paper Comments

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

All submissions should refer to file number SR-BOX-2026-12. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-BOX-2026-12 and should be submitted on or before June 2, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁸

Stephanie J. Fouse,

Assistant Secretary.

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²⁷⁵ CAT Funding Model Approval Order at 13479-13481.

²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁷ 17 CFR 240.19b-4(f)(2).

²⁷⁸ 17 CFR 200.30-3(a)(12).



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Part XIV

Department of the Interior

Office of the Secretary

43 CFR Part 4

Bureau of Land Management

43 CFR Parts 1700 and 4100

Revision of Regulations for Grazing Administration, Exclusive of Alaska;
Proposed Rule

DEPARTMENT OF THE INTERIOR**Office of the Secretary****43 CFR Part 4****Bureau of Land Management****43 CFR Parts 1700 and 4100**

[Docket No. BLM–2026–0001; A2407–014–004–065516, #O2509–014–004–125222; LLHQ220000]

RIN 1004–AE82

Revision of Regulations for Grazing Administration, Exclusive of Alaska

AGENCY: Bureau of Land Management and Office of Hearings and Appeals, Interior.

ACTION: Notice of proposed rule.

SUMMARY: The Bureau of Land Management (BLM) and Office of Hearings and Appeals (OHA) are proposing to revise the grazing regulations, *Grazing Administration—Exclusive of Alaska*, to establish a new part addressing land health management, with certain provisions relocated from existing regulations, and to make conforming updates to the regulations that govern administrative appeals of BLM grazing decisions to OHA’s Departmental Cases Hearings Division (DCHD). We solicit comment on all aspects of this rule.

DATES: Send your comments on this proposed rule to the Department of the Interior (Department) on or before July 13, 2026. The BLM and OHA are not obligated to consider any comments received after this date in making their decisions on the final rule. If you wish to comment on the information-collection requirements in this proposed rule, please note that the Office of Management and Budget (OMB) is required to make a decision concerning the information collections contained in this proposed rule between 30 and 60 days after publication of this proposed rule in the **Federal Register**. Therefore, comments should be submitted to OMB by June 11, 2026.

ADDRESSES: You may submit comments by one of the following methods:

Mail, personal, or messenger delivery: U.S. Department of the Interior, Director (630), Bureau of Land Management, 1849 C St. NW, Room 5646, Washington, DC 20240, Attention: Acting, BLM Director.

Federal eRulemaking Portal: <https://www.regulations.gov>. In the Searchbox, enter “BLM–2026–0001” and click the “Search” button. Follow the instructions at this website. A plain

language summary of the proposed rule is also available on the Federal eRulemaking Portal.

Comments on Information-Collection Requirements: Written comments and recommendations for the information-collection requirements should be sent within 30 days of publication of this notice to www.reginfo.gov/public/do/PRAMain. Find this information-collection by selecting “Currently under Review—Open for Public Comments” or by using the search function.

FOR FURTHER INFORMATION CONTACT: The BLM Directorate of Resources and Planning, Division of Forest, Rangeland and Vegetation Resources, by phone at (208) 373–3818, or by email at BLM_Grazing_Rule@blm.gov for information relating to the BLM grazing program and information about the proposed rule, or Julia Bartels, by phone at 703–235–3750, or by email at julia_bartels@oha.doi.gov, for information relating to OHA. Please use “RIN 1004–AE82” in the subject line. Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services. Individuals outside the United States should use the relay services offered within their country to make international calls to the point-of-contact in the United States.

SUPPLEMENTARY INFORMATION:

I. Background

Authority

The BLM currently administers livestock grazing on approximately 155 million acres of public land under the authority and direction of the Taylor Grazing Act (TGA) (43 U.S.C. 315 *et seq.*), the Public Rangelands Improvement Act (PRIA) (43 U.S.C. 1901 *et seq.*), and the Federal Land Policy and Management Act (FLPMA) (43 U.S.C. 1701 *et seq.*). Section 3 of the TGA authorizes the BLM to issue grazing “permits” that authorize grazing on lands within identified grazing districts (43 U.S.C. 315b), and section 15 authorizes the BLM to issue grazing “leases” that authorize grazing on lands outside such districts (43 U.S.C. 315m). For purposes of this preamble, references to “permits” are intended to encompass both permits issued under section 3 of the TGA and leases issued under section 15. The BLM administers nearly 18,000 grazing permits that together authorize approximately 12.3 million animal unit months (AUMs) of grazing annually (2024 Public Land

Statistics, published June 2025).¹ Permits are generally issued for ten years and may be renewed if the BLM determines that the permittee has complied with the terms and conditions of the expiring permit and meets other regulatory requirements.

Need for Amendments

There are a number of issues and considerations that prompt the BLM and OHA to propose these amendments to the grazing regulations, including those discussed in the following paragraphs.

The BLM administers its grazing programs under the regulations at Title 43 Code of Federal Regulations (CFR) part 4100. Those regulations were comprehensively revised in 1995 (the 1995 Rule) and 2006 (the 2006 Rule). However, elements of the 1995 Rule and the entirety of the 2006 Rule were successfully challenged in court and enjoined by the Tenth and Ninth Circuit courts of appeals, respectively.² Because the 2006 Rule remains permanently enjoined, the regulations that are currently in force, and which the BLM implements while administering the grazing program, are those last published in the 2005 edition of the CFR, which largely reflect the 1995 Rule.³

Among other things, the 1995 Rule, in subpart 4180, articulated the conditions that constitute the fundamentals of rangeland health. From there, the 1995 Rule directed BLM State Directors, in consultation with affected resource advisory councils and in coordination with Tribes and other State and Federal land management agencies, to develop standards to measure achievement and maintenance of those fundamentals and guidelines to direct the management of grazing on public lands in a way that would facilitate such achievement and maintenance. The Rule also directed the BLM to take “appropriate action” to adjust grazing management whenever it determined that livestock grazing was a significant causal factor in land not

¹ An AUM is the amount of forage necessary for the sustenance of one cow/calf pair or its equivalent for a period of one month.

² *Public Land Council v. Babbitt*, 167 F.3d 1287 (10th Cir. 1999) (enjoining elements of the 1995 Rule); *Western Watersheds Project v. Kraayenbrink*, 620 F.3d 1187 (9th Cir. 2010) (enjoining the 2006 Rule).

³ Citations to the existing regulations in this notice are, therefore, all to the 2005 edition of the CFR. Even the 2005 version of the CFR, however, is not a completely accurate representation of the regulations presently in effect. Provisions in that version of the code that relate to “conservation use” were invalidated as a result of the successful legal challenge to the 1995 Rule. *Babbitt*, 167 F.3d at 1308. Although those provisions still appear in the 2005 edition of the CFR, they are not being and may not legally be implemented by the BLM.

meeting rangeland health standards. However, neither subpart 4180 nor any other regulation directs the BLM to make adjustments to the management of other programs to address non-grazing-related factors. The result has been the grazing program—including grazing permittees—shouldering a disproportionate share of the burden in ensuring achievement of the fundamentals.

In 2014, meanwhile, Congress amended section 402 of FLPMA to address the BLM's environmental reviews in connection with grazing permit renewals, including by providing for the continuation of the terms and conditions of an expiring or transferred permit for which environmental review is not yet complete. 43 U.S.C. 1752(c)(2).

Separately, in 2016, the Government Accountability Office (GAO) issued a report on the BLM's approach to responding to incidents of unauthorized grazing.⁴ The report included findings that the BLM (and the United States Forest Service) tend to handle such incidents informally and fail to record them, and made recommendations that the BLM revise its regulations to better provide for documentation of unauthorized grazing use.

Throughout this time, grazing practices have evolved, and the BLM grazing program has worked to accommodate those changes. BLM grazing permittees require flexibility to run their operations in the most efficient manner that is responsive to their business needs and that can be adjusted to account for changes on the landscape year to year and over time. While the operative regulations allow the BLM to facilitate some degree of flexibility within the terms and conditions of grazing permits, the proposed rule is intended to expand and otherwise make concrete and explicit in regulation those opportunities for flexibility.

Appeals of grazing decisions are adjudicated by DCHD. DCHD decisions on appeals may be further appealed to the Interior Board of Land Appeals (IBLA). To avoid confusion, it is important to ensure that the regulations that establish DCHD's procedures for resolving grazing appeals align with the treatment of appeals in subpart 4160 of the grazing regulations.

Overview of Proposed Rule

This proposed rule is intended to modernize the BLM's grazing program

and bring its regulations in line with current best practices for grazing administration. It is also intended to align the regulations with other developments since promulgation of the 1995 Rule, including Congress's amendments to section 402 of FLPMA and the observations and recommendations of the GAO in its 2016 report.

The BLM is also proposing to expand the application of the fundamentals of rangeland health and the standards used to measure their attainment beyond livestock grazing administration. The proposed rule keeps the intent of the existing subpart 4180 framework intact, but would relocate the regulations in a new part of the CFR—part 1700. This broader application of the fundamentals and standards reflects that all BLM programs should be responsible for managing toward improved rangeland health. It will allow the BLM to more effectively understand the impacts of land management on the whole landscape—which will, in turn, benefit all BLM-managed lands and public lands users. The proposed rule would require the BLM to take “appropriate action” where a significant factor in failing to achieve land health is within the BLM's control to address, much as the existing rule does when that factor is livestock grazing. Rapid landscape-scale condition assessments and land health evaluations, under the proposed rule, are intended to inform how uses are managed, rather than dictate whether a particular use may occur, and what constitutes “appropriate action” may vary depending on the resource concern and limitations imposed by law and relevant planning decisions.

Finally, proposed revisions to the appeal procedures contained in the grazing rule necessitate conforming revisions to OHA's regulations governing grazing appeals to DCHD, at 43 CFR part 4, subpart C.

A section-by-section discussion of the proposed changes follows.

II. Section-by-Section Discussion

Part 4—Department of the Interior Hearings and Appeals Procedures

Section 4.170 Appealing a Grazing Decision

OHA is proposing to revise section 4.170 to remove existing paragraph (g). That paragraph describes the current effect of an appeal of a grazing decision which does not, under the operative regulations, suspend the effect of the decision (absent DCHD granting a separate petition for a stay). Removing this provision is made necessary by the proposed changes to section 4160.3,

which would reverse that default arrangement to provide that, unless the BLM provides otherwise, appeal of a grazing decision does suspend the effectiveness of the decision, pending resolution of the appeal.

OHA is also proposing to correct a cross reference in paragraph (b) of this section by eliminating the specific paragraph designation from the cross-reference as cross-reference is more appropriately made to section 4160.3 as a whole.

Section 4.171 Effect of Decision Pending Appeal; Exhaustion and Finality

OHA is proposing to redesignate section 4.174 as section 4.171 and revise it to reflect the changes that the BLM is proposing to make to section 4160.3(c), also in this proposed rule. Under these collective proposed changes, the default arrangement would be that an appeal to DCHD of a grazing decision suspends the effectiveness of that decision. That dynamic is described in proposed paragraph (a) of this section.

The exceptions to that default understanding are described in proposed paragraph (b). As proposed section 4160.3(c) also provides, paragraph (b)(1) would acknowledge that the BLM may place a decision in full force and effect if doing so is necessary for the protection of range resource values.

Paragraph (b)(2) would provide that a party to an appeal that has, by operation of section 4160.3(c) and section 4.171(a)(2), suspended the effectiveness of the underlying decision may file a motion requesting that the DCHD administrative law judge hearing the appeal place the decision in full force and effect. The administrative law judge may grant such a motion and place the suspended decision in full force and effect if (1) resources on the public lands require immediate protection due to changed circumstances that occurred after the filing of the notice of appeal and (2) immediate and irreparable harm to the United States due to resource deterioration associated with the continued suspension of the grazing decision would exceed the harm to the appellant associated with placing the decision into full force and effect. The provision provides a mechanism for placing a decision in full force and effect if changes in circumstances on the ground justify doing so, even if the circumstances did not justify the BLM placing the decision in full force and effect at the time it made the decision. OHA expects that the party making a motion under proposed paragraph (b)(2) would generally be the BLM, though an

⁴ United States Government Accountability Office, Report to the Committee on Natural Resources, House of Representatives, *Unauthorized Grazing: Actions Needed to Improve Tracking and Deterrence Efforts* (July 2016).

intervenor may also be in a position to advance such a motion.

Proposed paragraph (b)(3) similarly empowers a DCHD administrative law judge hearing the appeal of a grazing decision to put his or her decision on the merits into full force and effect pending further administrative appeal to the IBLA.

Proposed paragraph (c) amends existing paragraph (b) from section 4.174 to account for the changes to the default relationship between an appeal and the effectiveness of a decision.

Under proposed paragraph (c), a grazing decision is final and subject to judicial review if it is made effective by the BLM under section 4160.3(c) and section 4.171(b)(1) or by a DCHD administrative law judge under section 4.171(b)(2) or (3).

Section 4.172 Petitions for Stay

OHA is proposing to redesignate section 4.171 as section 4.172 and make a minor revision to paragraph (a) to reflect that a petition for stay, under the proposed rule, would only be necessary in those cases in which the BLM, under section 4160.3(c) and section 4.171(b)(1), places a grazing decision in full force and effect.

Section 4.173 BLM Document Filing Requirements and Initial Disclosures

OHA is proposing to redesignate section 4.172 as section 4.173 but is not proposing any changes to the regulatory text itself.

Section 4.174 Adjudication of Grazing Appeal

OHA is proposing to redesignate section 4.173 as section 4.174 but is not proposing any changes to the regulatory text itself.

Section 4.175 Appeal and Review

OHA is proposing to revise the cross-reference in paragraph (b) to align with the other organizational changes proposed in this rule.

Part 1700—Fundamentals of Land Health and Standards for Program Administration

Section 1700.1 Fundamentals of Land Health

Proposed section 1700.1 describes the fundamentals of land health and, notwithstanding some minor changes to language, is meant to carry forward three of the four fundamentals presently articulated in section 4180.1. The exception relates to water quality. Because section 4180.1 defines that fundamental with reference to compliance with associated state water quality standards, the BLM has

determined that enforcement of those state standards by those state agencies responsible for such is the appropriate means for ensuring water quality. That fundamental is, therefore, not included in this proposed rule.

The BLM is specifically soliciting comment on this section and all of proposed part 1700 and is interested in hearing the public's views on the proposed relocation of these provisions, the appropriate scope of land health assessment and evaluation and BLM management to address land health concerns, and (including from state water quality agencies) the proposed adjustments to the fundamentals of land health.

Section 1700.2 Standards

Proposed section 1700.2 establishes the process for the development and amendment of standards designed to allow the BLM to assess the achievement and maintenance of the fundamentals of land health defined in section 1700.1. The section borrows from existing section 4180.2 but eliminates some of the process requirements that exist under the current regulations. For example, the regulations will no longer require coordination with resource advisory councils prior to development or amendment of standards. And the proposed rule would eliminate the requirement that new or amended standards be approved by the Secretary, a function that the BLM has historically assumed could not be delegated under the existing regulations. Instead, under the proposed rule, new and amended standards must be approved by the BLM Director. The proposed rule would call for the orderly rescission of existing standards that address water or air quality. Existing water quality standards under the existing subpart 4180 process are tied to the fundamental that is proposed to be removed above and so would no longer have that link. Existing air quality standards are not directly linked to any fundamental at all. Ultimately, as in the case of the fundamentals, the BLM believes that water and air quality are best regulated by the state agencies responsible for enforcing state standards, alongside the Environmental Protection Agency, as appropriate, while the BLM continues to manage its actions in accordance with those standards under the Clean Water Act.

Section 1700.3 Rapid Landscape-Scale Condition Assessment

Proposed section 1700.3 sets out the process for conducting rapid landscape-scale condition assessments. The term

landscape is meant to refer to an area encompassing an interacting mosaic of ecosystems and human systems characterized by a set of common management conditions. The landscape is not defined by the size of the area, but rather by the interacting elements that are relevant and meaningful in a management context. Existing subpart 4180 is largely silent on the process for conducting such assessments, and the BLM's experience with those regulations informs this proposed rule. The proposed rule would have the BLM conduct such assessments at the landscape scale. Measuring land condition across broader scales increases efficiency relative to the allotment-by-allotment assessments in which the BLM sometimes engages by virtue of the close connection between subpart 4180 and the grazing program. Conducting fewer assessments across broader swaths of public lands uses fewer resources while still providing the necessary data to conduct the step-down land health evaluations at appropriate scales. The BLM already does land condition assessments at broader scales in some cases. For example, some field offices in Montana, Wyoming, Colorado, and Idaho are using watershed-scale approaches to land health evaluations to support other activities such as planning vegetation treatments as well as completing grazing permit renewals. The explicit instruction in this proposed section will normalize and standardize that approach.

The specific provisions of the rule provide requirements for, in paragraph (b), how to conduct landscape-scale condition assessments; and in paragraph (c), how to collect and manage data in connection with landscape-scale assessments.

Section 1700.4 Land Health Evaluation and Causal Factor Determination

Proposed section 1700.4 provides a framework for using data from the rapid landscape-scale condition assessments to conduct step down land health evaluations to measure achievement of state and regional land health standards and for conducting causal factor determinations—in which the BLM determines what one or more land uses or other causal factors are making a substantial contribution to the dynamic that causes land not to meet standards—in cases where the land health evaluation indicates that land is not meeting or making progress toward meeting those standards. Under current practice, BLM land health evaluations are typically initiated at the allotment or project scale using locally available monitoring data, and broader landscape

conditions may or may not be consistently taken into account. Proposed section 1700.4 would standardize and strengthen this process by requiring that land health evaluations begin with the results of rapid landscape-scale condition assessments and then “step down” to the appropriate finer scale to determine whether standards are being achieved or significant progress is being made. Where the evaluation shows that standards are not being met, the proposed section would also require preparation of a causal factor determination identifying the land uses or other factors making a substantial contribution to the conditions preventing achievement of standards. This approach is intended to increase consistency and transparency relative to current practice and to ensure that broader landscape conditions are integrated into local assessments and management responses.

Paragraph (a) includes requirements for carrying out land health evaluations, and paragraph (b) confirms that where that evaluation indicates land is achieving or making progress toward achieving standards, no further evaluation is needed. In cases where the evaluation indicates that land is not achieving or making significant progress toward achieving land health standards, paragraph (c) requires that the BLM prepare a causal factor determination within 6 months, consistent with the direction in paragraph (d).

Paragraph (e) provides that the BLM will then take “appropriate action” (*i.e.*, modify permit terms and conditions such as changes to the period of use, livestock numbers, class of livestock, etc.) within two years to address those causal factors it has identified that are within its control to address. Causal factors beyond the BLM’s management control include natural disasters such as drought and wildfire, excessive wildlife populations (*i.e.*, an overpopulation of elk, which are managed by State game management agencies), or actions taken on adjacent private lands (*i.e.*, sedimentation from an adjacent gravel quarry or irrigation-controlled water flows). The regulation goes on to explain that what constitutes appropriate action must be understood in the context of applicable law, the governing land use plan, and the management objectives of the land in question. As paragraphs (e) and (f) imply, and paragraph (g) explicitly provides, appropriate action does not necessarily mean changes to existing uses. Paragraph (e) provides examples of appropriate action; addressing land health through the imposition of terms

and conditions on permits and other authorizations is just one of those examples. Paragraph (f), meanwhile, provides direction in circumstances where the causal factor is within the BLM’s control, but is not directly tied to existing BLM land management practices—for example, where land health is being negatively impacted by invasive species or the presence of wild horses.

The BLM expects that by expanding the scope of land health across all BLM programs, it will move away from limiting appropriate action to changes to the terms and conditions of authorizations to use the public lands. Because the current grazing regulations prompt the BLM only to consider changes within the grazing program, it is often the case that addressing failures to achieve land health is more difficult because the BLM cannot directly address the causal factor (*e.g.*, other resource uses). The proposed rule aims to decouple management for land health from actions on BLM permits and other land use authorizations.

Finally, paragraphs (h) and (i) of this proposed section provide, respectively, for the internal reporting and public disclosure of land health evaluations and causal determinations prepared under these rules. These reporting and disclosure requirements are not a part of the existing regulations. The BLM expects that establishing those requirements here will increase the usefulness of preparing land health evaluations and causal factor determinations.

*Part 4100—Grazing Administration—Exclusive of Alaska*⁵

Section 4100.0–2 Objectives

The BLM is proposing to revise section 4100.0–2 to focus its statement of objectives on the grazing program. The BLM is proposing to remove existing text that provides that an objective of the grazing program is “to accelerate restoration and improvement of public rangelands to properly functioning conditions.” While restoration and improvement of public lands is important, it is properly understood, consistent with the

proposal to apply land health provisions more broadly, to be an objective of the BLM’s overarching management of the public lands, not just its administration of the grazing program. This proposed change is consistent with the proposal to relocate land health provisions from subpart 4180 to a new part 1700 to address restoration and improvement of public lands across all BLM programs. The remainder of the proposed edits to this section are ministerial and include replacing the list of authorities relevant to the grazing program with nonexclusive language.

Section 4100.0–3 Authority

The BLM is proposing minor changes to section 4100.0–3 to update it in light of changes to FLPMA and to make other ministerial changes.

Section 4100.0–5 Definitions

The BLM is proposing the following changes to the definitions that appear in the operative version of section 4100.0–5.

The BLM is proposing to revise the definition of the term *active use* to eliminate reference to “conservation use,” as that form of grazing authorization has been found to exceed the BLM’s authority under the TGA (*Babbitt*, 167 F.3d at 1307–08), and to simplify the presentation of what the term *active use* includes (permitted use available for livestock grazing) and what it does not include (permitted use that has been approved for temporary nonuse or is held in suspension).

The BLM is proposing to revise the definition of the term *allotment management plan (AMP)* to clarify that development of an activity plan, as defined by statute, is not the only mechanism for putting an AMP in place. Methods for establishing an AMP are and should be flexible to make the BLM’s process as efficient as can be, so long as the resulting AMP has the elements already identified in the existing definition (*i.e.*, “the necessary instructions for[] the management of livestock grazing on specified public lands to meet resource condition, sustained yield, multiple use, economic and other objectives”).

The BLM is proposing to revise the definition of the term *animal unit month (AUM)* so that the definition in section 4100.0–5 matches the more detailed definition in section 4130.8–1(c). There has never been any intent that the two definitions be interpreted differently, but maintaining distinct definitions could cause confusion and the additional detail, proposed to be added here, will have broader application to operations that graze

⁵ Because of the Ninth Circuit’s injunction of the 2006 Rule, this notice presents proposed regulatory language for part 4100 in its entirety. The proposed language for part 4100 uses as a starting point the language of the regulations presently in force, *i.e.*, those contained in the 2005 edition of the CFR. From that starting point, the BLM is proposing the substantive changes described herein as well as a number of cosmetic and ministerial changes to modernize language, clarify ambiguities, and eliminate references to “conservation use” in light of the Tenth Circuit’s injunction of those parts of the 1995 Rule.

sheep, goats, or other livestock beyond cows.

The BLM is proposing to revise the definition of the term *annual rangelands* to specify where such rangelands are designated (*i.e.*, in the land use plan, activity plan, or other decision of the authorized officer). That detail is lacking in the present definition.

The BLM is proposing to revise the definition of the term *base property* to provide that land that contains livestock operation facilities capable of serving as a base of livestock operations can properly qualify as base property. That would be in addition to the two existing criteria by which land or water may qualify as base property. The 1995 Rule broadened the definition of base property to provide that land only had to have the capability to produce crops or forage that can be used to support authorized livestock for a specified period of the year. The additional base property type affords the BLM more flexibility in determining applicant qualifications.

The BLM is proposing to add a definition of the term *beginning rancher (mentee)* to establish criteria for who may qualify as a beginning rancher. Throughout the regulations, the proposed rule would revise certain provisions that encourage young ranchers to participate in public land grazing to expand the existing limitation that those young ranchers must be the sons or daughters of existing permittees. So long as someone has not owned, controlled, or operated a farm or ranch for a period of more than 10 years and has not previously held a grazing permit, that person would be eligible for the allowances that are presently extended only to “sons and daughters.”

The BLM is proposing to revise the term *cancelled* to reflect the more widely used spelling in American English—*canceled*. The proposed rule would make corresponding changes throughout part 4100.

The BLM is proposing to add a definition of the term *carrying capacity* and eliminate the existing definition of the term *livestock carrying capacity*. Carrying capacity must include use by all species using the landscape, whether domestic or native.

The new definition would provide that the term means “the measurement of how much forage is available on a unit of land.”

The BLM is proposing to eliminate the definition of the term *conservation use*. The “conservation use” concept was previously challenged and found to be beyond the BLM’s authority under the TGA.

The BLM is proposing non-substantive edits to the definition of the term *ephemeral rangelands* for improved clarity.

The BLM is proposing to add a definition of the term *grazing authorization* to use throughout the grazing regulations as a catch-all term to include grazing permits and leases (which, collectively, the proposed rule would refer to as “grazing permits”) as well as other, less frequently used grazing-related authorizations (*e.g.*, trailing permits and exchange-of-use grazing agreements).

The BLM is proposing to remove the definition of the term *grazing lease* because the proposed rule would redefine the term *grazing permit* to encompass both permits issued under section 3 of the TGA and leases issued under section 15 and would remove, with limited exceptions, all references to and discussion of “grazing leases” from the regulations.

The BLM is proposing to revise the definition of the term *grazing permit* to encompass both grazing “permits” issued under section 3 of the TGA and grazing “leases” issued under section 15 and to more succinctly describe the contents of a grazing permit (or lease). Although the TGA provides for different terminology depending on whether the lands to be authorized for grazing are within or without a “grazing district” and, therefore, which section of the TGA applies, there is no practical difference under the regulations between a permit issued under section 3 and a lease issued under section 15 in nearly all cases. Indeed, the operative regulations use the two terms together (and so interchangeably) in nearly every instance that one appears. To simplify the text of the grazing regulations and reduce confusion, the proposed rule would simply refer to “permits” in all cases where both are invoked. This change is purely semantic and would not alter how the BLM issues authorizations or processes billing, nor would it alter the distribution of grazing receipts.

The BLM is proposing to revise the definition of the terms *grazing preference* and *preference* to make explicit that the BLM will take preference into account in cases of permit renewal. The proposed revision is not intended to suggest a change from the way that the BLM presently considers grazing preference under the TGA and the grazing regulations.

The BLM is proposing to revise the definition of the term *interested public* to make explicit that anyone wishing to participate in the management of livestock grazing on public lands must have a cognizable interest in such

management on the allotment or allotments for which they wish to participate as a member of the interested public. An interest in public lands management or the health of the range or particular resources on it would not alone be sufficient for the BLM to grant interested public status; rather, an articulable interest in those matters as applied to the allotment at issue would be necessary.

The BLM is proposing to eliminate the definition of the terms *livestock* and *kind of livestock*. The existing definition is circular in that it defines *livestock* to “mean[] species of domestic livestock.” Moreover, it is potentially confusing in that it lists certain species but does not make clear whether that list is exclusive. Rather than revise or replace the existing definition, the BLM is proposing to eliminate it altogether while making changes to the substantive regulations pertaining to the issuance of permits to make clear what types of operations may obtain grazing permits. For more detailed discussion of the proposal to only issue permits for grazing by production-oriented livestock, see the proposed changes to and preamble discussion of section 4130.2 and the proposed definition of that term in this section 4100.0–5.

The BLM is proposing minor revisions to the definition of the term *monitoring* to provide additional detail around the timing and purpose of collecting monitoring data. The BLM is proposing to revise the definition of the term *permitted use* to eliminate the component of the definition that refers to land use plans, to include the limitation that use is permitted for grazing by production-oriented livestock only (for more detailed discussion of this caveat, see the preamble discussion of section 4130.2, *infra*), and to make clear that permitted use includes both active and suspended use.

The BLM is proposing to add a definition of the term *prescribed grazing* to be more specific in identifying the “management objectives” that may be served by the practice.

The BLM is proposing to add a definition of the term *production-oriented livestock* to inform the parameters for issuing grazing permits. The TGA was enacted in 1934, in the midst of the Great Depression and the Dust Bowl. The Great Depression, spanning from 1929 to the late 1930s, resulted in widespread malnutrition and even starvation. In that context, the TGA and subsequent statutory authorities for authorizing grazing were intended to support the livestock industry as an industry. Dust Bowl conditions, meanwhile, were attributable in part to

overgrazing spurred by the fact that grazing on public lands was open to all. The TGA was passed, in part, in response to that dynamic, leading to the dedication of allotments to specified levels of grazing by specified permittees, with preference given to those engaged in the livestock business (43 U.S.C. 315b). Although not expressly stated in the TGA that grazing authorizations should be issued only for production-oriented livestock, there are several statements that heavily imply that intent. For example, the TGA provides that,

[i]n order to promote the highest use of the public lands. . . , the Secretary of the Interior is authorized, in his discretion, by order to establish grazing districts or additions thereto and/or to modify the boundaries thereof, of vacant, unappropriated, and unreserved lands from any part of the public domain of the United States . . . which in his opinion are chiefly valuable for grazing and raising forage crops.

43 U.S.C. 315. Elsewhere, the TGA provides,

The Secretary of the Interior is authorized to issue or cause to be issued permits to graze livestock on such grazing districts to such bona fide settlers, residents, and other stock owners as under his rules and regulations are entitled to participate in the use of the range Grazing permits shall be issued only to . . . groups, associations, or corporations authorized to conduct business under the laws of the State in which the grazing district is located. Preference shall be given in the issuance of grazing permits to those within or near a district who are landowners engaged in the livestock business, bona fide occupants or settlers, or owners of water or water rights. . . .

43 U.S.C. 315b.⁶ Even if not directly articulated in the TGA, these provisions can be broadly understood to anticipate that livestock grazing would be in support of resource consumption. This understanding is further supported by the policies that animate FLPMA, including the policy that “the public lands be managed in a manner which recognizes the Nation’s need for domestic sources of minerals, food, timber, and fiber from the public lands.” 43 U.S.C. 1701(a)(12). It is not appropriate, therefore, for the BLM to entertain applications for grazing permits from individuals or organizations who aim to compete with ranchers for valuable public forage but who have no intention of using that forage to support a commodity-

producing operation, as the TGA originally anticipated.

Taking all of that into consideration, the BLM proposes to update the grazing regulations to clarify that grazing permits under the TGA must authorize *production-oriented livestock* uses, as defined in the proposed rule. Even putting aside questions of the BLM’s legal authority under the TGA, policy considerations—in favor of supporting the livestock industry while also ensuring productive use of the public lands, consistent not just with the TGA but also FLPMA—support the proposal here and throughout this rule to restrict grazing permits to production-oriented operations.

The BLM is proposing to eliminate the definition of the term *rangeland studies*. The term is not used anywhere in the grazing regulations, making it unnecessary to define it.

The BLM is proposing minor, clarifying revisions to the definition of the term *Secretary*.

The BLM is proposing minor, clarifying revisions to the definition of the term *service area*.

The BLM is proposing minor, clarifying revisions to the definition of the term *State Director*.

The BLM is proposing to add a definition of the term *stocking rate*, which would mean “the number of specific kinds and classes of animals grazing land over a specific time period.”

The BLM is proposing to revise the definition of the term *suspension* so that that definition also applies to the term *suspended use*. Long-term (more than 5 years) reduction of AUMs from active use should be accomplished only through a new decision.

The BLM is proposing to add a definition of the term *sustained yield*. The proposed definition reflects the statutory definition of that term as it appears in section 103(h) of FLPMA, 43 U.S.C. 1702(h).

The BLM is proposing to add a definition of the term *targeted grazing* to delineate the actions that may be taken under section 4190.1(a)(1) to address wildfire risk. The proposed definition would make explicit that such actions include creating strategic linear fuel breaks, reducing fine fuel height and fuel loading, and maintaining fine fuels reductions.

The BLM is proposing to add a definition of the term *temporary nonrenewable* (TNR) to describe a particular type of grazing authorization that the BLM may issue when forage is temporarily available for livestock grazing. TNR authorizations may be appropriate in many different

circumstances, but the intent is to permit grazing for a year or less based on temporary availability of forage in an existing grazing allotment.

The BLM is proposing to revise the definition of the term *temporary nonuse* to simplify the definition and align it with the changes the proposed rule would make to the process for applying for and approving temporary nonuse under section 4130.4. (For more detailed discussion of the temporary nonuse process, see discussion of section 4130.4, *infra*.)

The BLM is proposing to add a definition of the term *terms and conditions*, which would include cross-references to the relevant provisions of the grazing regulations, under which such terms and conditions are applied via grazing authorizations.

The BLM is proposing minor, clarifying revisions to the definition of the term *trend*.

The BLM is proposing to revise the definition of the term *unauthorized leasing and subleasing* to add the term “beginning ranchers” in each place that the operative definition uses “sons and daughters.” (For more detailed discussion of the rationale for this change, see the discussion of the proposed definition for the term *beginning rancher* (*mentee*), *supra*.)

The BLM is proposing to revise the definition of the term *utilization* so that it measures removal, rather than forage, against the current year’s growth to generalize consumption of that growth to all sources, and to add a citation to Technical Reference 1734–3 or subsequent updates thereto.

Section 4100.0–7 Cross Reference

The BLM is proposing to revise section 4100.0–7 to add a cross-reference to part 1700, which the proposed rule would also promulgate.

Section 4100.0–8 Land Use Plans

The BLM is proposing to revise section 4100.0–8 to clarify that grazing management must account for direction in the applicable statute in addition to land use plans and to remove the reference to “related levels of production or use to be maintained.” That language has always been intended to call on the BLM to disclose levels of production in land use planning decisions, not to establish such levels at the planning stage, but its inclusion in the regulation has caused confusion on this point. The BLM is proposing this change in an effort to eliminate that confusion.

⁶ The House report on the TGA is more explicit about the Act’s purpose, and it provides, “It should be understood that the whole purpose of the bill is to conserve the public range in aid of the livestock industry.” H.R. Rep. No. 73–903, at 2 (1934).

Section 4100.0–9 Information Collection

The BLM is proposing to revise section 4100.0–9 to remove paragraph (b) on the public reporting burden for information collection and to streamline the remaining text.

Section 4110.1 Mandatory Qualifications

The BLM is proposing to revise paragraph (a) of section 4110.1 to reinsert as a qualification the requirement that an applicant be engaged in the livestock business and that its business be production oriented. For further discussion of the meaning of *production-oriented livestock* see the preamble discussion, above, of the newly proposed definition of that term. For further discussion of the authority and rationale for this proposed change, see the preamble discussion of the proposed changes to 4130.2, below.

The BLM is proposing to revise paragraph (a)(1) of section 4110.1 to clarify that a qualified applicant must have reached the age of majority. The BLM is also proposing changes to paragraph (b) to clarify the intent of the section without changing anything about the requirement that the authorized officer be satisfied that applicants have a satisfactory record of performance.

Section 4110.2–1 Base Property

The BLM is proposing to revise section 4110.2–1 to remove paragraph (b) in its entirety. Paragraph (b), under the operative regulations, requires the authorized officer to specify the length of time for which land base property would be capable of supporting authorized livestock during the year, following appropriate consultation, cooperation, and coordination. The BLM believes this regulatory provision is unnecessary because grazing permittees and lessees must ensure, and the BLM must find, that land base property can support their livestock when not grazing on public land in general.

Section 4110.2–2 Specifying Permitted Use

The BLM is proposing minor revisions to section 4110.2–2 to modernize language and clarify how the BLM specifies permitted use, particularly in the case of ephemeral or annual rangelands, and the relationship between permitted use and the associated base property. The proposed revisions include the introduction of the limitation that grazing permits issued under section 4130.2 are only for grazing by production-oriented

livestock. For more detailed discussion of that proposal, see the discussion of proposed changes to section 4130.2, *infra*.

Section 4110.2–3 Transfer of Grazing Preference

The BLM is proposing to amend paragraph (c) of section 4110.2–3 to make clear that consent of the owner is required in all base property transfers and to eliminate existing exceptions to that requirement.

The BLM is proposing to amend paragraph (d) of section 4110.2–3 to make clear that the exception for terminating existing permits established in section 4110.2–1(c) may apply in the circumstances described in this paragraph.

The BLM is proposing to revise paragraph (f) of the existing regulation to provide that the presumptive length for a preference transfer is, at a minimum, five years. The current regulation allows the BLM to approve transfers for as few as three years. In such cases, the BLM's experience has been that the administrative burden associated with continually renewing on a three-year cycle the preference transfer and grazing authorization, often to the same base property lessee, is substantial. Setting the presumptive length of a preference transfer at five years (while allowing the authorized officer to depart from that duration where appropriate) would help ease that burden by allowing the BLM to accept an updated base property lease while maintaining the permit as issued for a longer period before renewal would be required.

Proposed new paragraph (h) would establish an exception to the requirements of subpart 4160 for name changes and would allow the BLM to efficiently issue new permits when a name change is required so long as no terms and conditions, including the expiration date, of the permit would be changed.

Proposed new paragraph (i) would provide regulatory detail to guide the process for issuing a new permit following a transfer of grazing preference. When the BLM approves a transfer of grazing preference, there are a number of options under the TGA and section 402 of FLPMA for the BLM to structure and issue the resulting permit to the new permittee, to whom the grazing preference is being transferred. But the existing regulations are silent as to the BLM's authority and flexibility.

At the very least, section 402(c)(2) of FLPMA requires the BLM to “continue[] under a new permit or lease” the “terms and conditions in a grazing permit or

lease that . . . was terminated due to a grazing preference transfer.” 43 U.S.C. 1752(c)(2). That new permit then remains in effect until the point that the BLM “completes any environmental analysis and documentation for the permit or lease required under the National Environmental Policy Act . . . and other applicable laws.” *Id.* This potential mode of issuing a new permit following a transfer of grazing preference is detailed in proposed paragraph (i)(3). Proceeding as described under that paragraph does not require environmental review under the National Environmental Policy Act (NEPA) at the time the permit is issued, and NEPA review would occur as a part of the next fully processed renewal of the permit.

Alternatively, the BLM may prefer to complete NEPA review at the time of issuing a permit following a transfer of grazing preference in order that the resulting permit be fully processed. It may do so by either (1) issuing a new permit with the same terms and conditions as the previous permit and limited in duration to the remaining term of that previous permit, or (2) issuing a new permit with whatever appropriate terms and conditions for up to ten years. These options are detailed in proposed paragraphs (i)(1) and (i)(2), respectively. In the former case, as the proposed rule acknowledges, it is presumed that the BLM would be able to comply with NEPA through a determination of NEPA adequacy, given that the terms and conditions and length of authorization would be precisely the same as those in place when the previous permit was issued or last renewed. In the latter case, the BLM could rely on previous NEPA documentation to the extent appropriate, though some form of new or supplemental NEPA analysis may be required.

The remaining proposed changes, including those to paragraphs (a)(1) and (b), are ministerial in nature.

Section 4110.2–4 Allotments

The BLM is proposing to amend section 4110.2–4 to limit the consultation, cooperation, and coordination process to just the affected permittee and the state or states that contain the allotment at issue. The regulation would no longer require consultation, cooperation, and coordination with the interested public for decisions to combine or divide allotments. In general, the BLM has found that requiring the interested public be consulted at every step of the process for managing grazing can be inefficient and prevent timely

management necessary to both facilitate grazing and protect forage and other resources. The proposed change would not preclude coordination with the interested public in cases where it would be helpful, but it would no longer require it. Moreover, the interested public would continue to have an opportunity to participate through its ability to comment on draft environmental assessments and other documents prepared under NEPA and through the proposed decision and protest process outlined in sections 4160.1 and 4160.2.

Section 4110.3 Changes in Permitted Use

The BLM is proposing to revise section 4110.3 to eliminate references to subpart 4180, which is proposed to be repealed and replaced by generally applicable regulations at part 1700. The remaining proposed changes to this section are for clarity or otherwise ministerial in nature.

Section 4110.3–1 Increasing Active Use

The BLM is proposing to revise paragraph (c) of section 4110.3–1 to split it into three paragraphs and to introduce the notion that additional forage will be apportioned consistent with multiple-use objectives. The BLM is also proposing in newly designated paragraph (d) to limit the consultation, cooperation, and coordination process under this section to just the affected permittee and the state or states that contain the allotment at issue. For further discussion of the rationale for removing requirements to include the interested public in consultation, cooperation, and coordination opportunities, see the discussion above of the proposed changes to section 4110.2–4. The BLM is also proposing to revise newly designated paragraph (e) to eliminate the provision that would prioritize “contributions to stewardship efforts” when apportioning additional forage. In the BLM’s experience, this provision is unclear and poorly defined, making it difficult to implement consistently when evaluating applications for apportioning additional forage, and is unlikely to result in a different apportionment of additional forage than does application of the remaining criteria.

The BLM is also proposing to add throughout the section references to the limitation that grazing permits issued under section 4130.2 are only for grazing by production-oriented livestock. For more detailed discussion of that proposal, see the discussion of

proposed changes to section 4130.2, *infra*.

The remaining proposed revisions to section 4110.3–1 are organizational or otherwise ministerial in nature.

Section 4110.3–2 Decreasing Active Use

The BLM is proposing to revise paragraph (b) of section 4110.3–2 to eliminate the reference to subpart 4180, which is proposed to be repealed and replaced by generally applicable regulations at part 1700.

The BLM is also proposing a new paragraph (c) that would provide that reductions in active use will be held in suspension and not canceled. It is appropriate to suspend, rather than cancel, use so that active use may efficiently resume at the original or otherwise increased levels when the conditions necessitating decreased use are no longer present.

Section 4110.3–3 Implementing Changes in Active Use

The BLM is proposing to revise section 4110.3–3 to limit the consultation, cooperation, and coordination process under this section to just the affected permittee and the state or states that contain the allotment at issue. For further discussion of the rationale for removing requirements to include the interested public in consultation, cooperation, and coordination opportunities, see the discussion above of the proposed changes to section 4110.2–4.

The BLM is proposing to revise paragraph (b) (proposed to be reorganized across paragraphs (a)(2) and (b)) of section 4110.3–3 to modify the process for issuing notices of closure and modifying authorized grazing use to address exigent circumstances such as drought, fire, flood, insect infestation, and imminent threat of resource damage. In such cases, the BLM must consult, cooperate, and coordinate with affected permittees and the relevant state and may not, as under the existing regulation, rely on a “reasonable attempt” at such consultation, cooperation, and coordination. The remaining proposed changes to section 4110.3–3, including those in paragraph (a) of the section, are organizational or otherwise ministerial in nature.

Section 4120.2 Allotment Management Plans

The BLM proposes to rename this section by removing the reference in the existing section title to “resource activity plans” to simplify language and be consistent with the proposed changes to the definition of *Allotment*

management plan in section 4100.0–5. *Allotment management plan*, as it is proposed to be defined, would include functional equivalents, like resource activity plans. The BLM also proposes updating this section to reflect the current practice by which an allotment management plan (AMP) is frequently incorporated directly into permits after being developed through the NEPA process and the BLM’s consideration of a reasonable range of alternatives that occurs as part of that process.

The BLM is also proposing to revise section 4120.2 in various places to limit the consultation, cooperation, and coordination processes under this section to just the affected permittee and the state or states that contain the allotment at issue. For further discussion of the rationale for removing requirements to include the interested public in consultation, cooperation, and coordination opportunities, see the discussion above of the proposed changes to section 4110.2–4.

The BLM also proposes to remove paragraph (c) but revise paragraph (a) to clarify that an AMP would become effective after complying with applicable laws and the provisions of subpart 4160. The operative rule states that an AMP becomes effective upon approval by the authorized officer.

After renumbering paragraphs (d) and (e) as paragraphs (c) and (d), the BLM proposes to amend paragraphs (a) and the new (d) to remove the requirement for consultation, cooperation, and coordination with the resource advisory council (RAC) having responsibility for managing resources within the area to be covered by the plan when preparing, revising, or terminating an AMP or other activity plan. The BLM is proposing this change to improve efficiency in site-specific AMP development and implementation. The BLM routinely meets with RACs to consult, cooperate, and coordinate on issues and projects at larger management scales than specific grazing allotments. This proposed change does not preclude the BLM from engaging in consultation, cooperation, and coordination with the RAC, in appropriate circumstances, but it would no longer be a regulatory requirement.

Section 4120.3–1 Conditions for Range Improvements

The BLM is proposing to revise section 4120.3–2 to provide that certain bureau decisions pertaining to range improvements must be memorialized in a written decision document. The BLM is proposing to revise paragraph (f) to account for the fact that some decisions related to range improvements may fall outside the purview of part 4100. The

remaining proposed revisions to section 4110.3–1 are organizational or otherwise ministerial in nature.

Section 4120.3–2 Cooperative Range Improvement Agreements

The BLM is proposing to revise paragraph (a) of section 4120.3–2 to clarify that cooperative range improvement agreements must specify the cost of materials in addition to the cost of labor and must identify who is responsible for operation and maintenance. The BLM is proposing to revise paragraph (b) to make explicit that water rights permitted or authorized under state law are included in that provision's reference to valid existing rights.

Section 4120.3–3 Range Improvement Permits

The BLM is proposing to revise paragraph (c) of section 4120.3–3 to provide additional detail, including appropriate cross-references to other provisions of the grazing regulations, regarding the process to issue nonrenewable grazing permits for forage that will not be used by the existing permittee. The BLM is proposing to revise paragraph (c)(2) regarding dispute resolution to clarify that the reference to “interested parties” in the operative regulation means the parties to the dispute in question.

Section 4120.3–8 Range Improvement Fund

For the same reasons identified above in the discussion of sections 4110.2–4 and 4120.2, respectively, the BLM is proposing to revise paragraph (c) of section 4120.3–8 to remove the requirement to consult with the interested public and with RACs during the planning of range developments and range improvement programs.

Section 4120.3–9 Water Rights for the Purpose of Livestock Grazing on Public Lands

The BLM is proposing to designate the operative text of section 4120.3–9 as paragraph (a) and revise that text to clarify that the provisions of this regulation apply only to stockwater rights acquired “on the basis of state law.” This proposed addition is intended to clarify that the regulation does not apply to Federal reserved water rights, such as water rights reserved by Public Water Reserve 107. The proposed revisions to paragraph (a) would also provide examples for how to acquire, perfect, maintain, and administer water rights under state law, including through use of joint ownership

arrangements and principal-agent relationships.

The BLM is proposing to add a new paragraph (b) which would require that the BLM only make changes to the purpose of use, place of use, or place of diversion of a water right as allowed under applicable state law and provide 30 days' notice to affected grazing permittees before doing so.

Section 4120.4 Special Rules

The BLM is proposing a minor addition to section 4120.4 to require that special rules be posted to a BLM or Department website, if available.

Section 4120.5–2 Cooperation With State, County, Tribal and Federal Agencies and Governments

The BLM is proposing a revision to the title of section 4120.5–2 to clarify the expectation that the BLM will cooperate with state and county governments, not just the agencies of such governments, in administering laws and regulations related to livestock, livestock diseases, sanitation, and noxious weeds.

Section 4130.1–2 Conflicting Applications

The BLM is proposing a minor revision to paragraph (d) of section 4130.1–2 (redesignated as paragraph (c)) to modernize the language regarding access to public land. The proposed change would not change the operation of the section. The BLM is proposing to remove paragraphs (b) and (g) of section 4130.1–2. In addition to being duplicative, an applicant may not be able to demonstrate proper use or stewardship of rangeland resources prior to becoming a permittee.

The BLM is proposing to add a new paragraph (f) that would identify the applicant's demonstrated ability to manage its grazing operation in a manner that would meet applicable objectives as a criterion for the BLM to consider when resolving conflicting applications.

Finally, the BLM is proposing to revise paragraph (h) (redesignated as paragraph (g)) to provide that the BLM may require an applicant to provide additional information with its application concerning any unresolved violations of grazing permit terms and conditions. Such information may be necessary to allow the BLM to give this criterion appropriate consideration and weight when resolving conflicting applications.

Section 4130.2 Grazing Permits

The BLM is proposing to revise paragraphs (a) and (e)(1) of section

4130.2 to more simply identify the key components of a grazing permit—the permitted use, including active and suspended use, and the terms and conditions of the permit. The BLM is also proposing to limit grazing permits to “production-oriented” operations. In the TGA, Congress expressed the preference that grazing permits be issued to “landowners engaged in the livestock business.” 43 U.S.C. 315b. The BLM's administration of the grazing program has nearly universally reflected that principle from the time of the TGA's passage through today. By proposing this limitation now, the BLM is seeking to head off suggestions that grazing permits may be appropriate for other purposes, including preservation or conservation. Active management (*i.e.*, grazing) is consistent with the direction in FLPMA to manage the public lands under principles of multiple use and serves as a critical tool (*i.e.*, targeted grazing) to minimize dangerous buildup of fine fuels. Fine fuels are those that carry fires and create a consistent fuel bed, creating unsafe conditions during fire season. In this context, fine fuels are generally non-native annual grasses. Native bunchgrasses are less able to carry fire through an area due to the spacing between plants. To allow for application and enforcement of this limitation, the BLM is also defining *production-oriented livestock* in section 4100.0–5 to improve consistency with the intent of the TGA and reflect policy considerations. (And see the preamble discussion of that proposed definition, above, for further detail on the authority and rationale for this proposal.) The term has also been proposed to be added, as appropriate, in other provisions throughout part 4100 that discuss the nature of the use that grazing permits may authorize.

The BLM is proposing to modify paragraph (b) to make explicit that consultation, cooperation, and coordination occurs after the BLM has received a complete application for permit issuance or renewal and to note that consultation, cooperation, and coordination need not occur at all prior to renewal of a permit under section 402(c)(2) of FLPMA, 43 U.S.C. 1752(c)(2). Renewals under that provision of FLPMA are mandatory by law and leave the BLM no discretion to do anything other than continue the authorization under the same terms and conditions as existed in the expiring permit. Moreover, the BLM is proposing to limit that consultation, cooperation, and coordination process to just the affected permittee and the state or states

that contain the allotment at issue. For further discussion of the rationale for removing requirements to include the interested public in consultation, cooperation, and coordination opportunities, see the discussion above of the proposed changes to section 4110.2–4.

The BLM is proposing to revise paragraph (d) to combine subparagraphs (3) and (4). Under the resulting proposed subparagraph (3), the BLM may issue a permit for less than ten years when doing so would be “consistent with management and resource condition objectives.” In cases where there is a base property lease associated with the grazing authorization, the proposed provision would require that the terms of the base property lease and grazing authorization be aligned. The BLM is then proposing a new subparagraph (4) to accommodate short-term permits in cases of prescribed grazing, grazing for scientific research or administrative studies, and grazing to control noxious weeds.

The BLM is proposing to revise paragraph (e) to primarily use the term “preference” rather than “first priority.”

The BLM is proposing to remove paragraphs (g) and (h), which pertain to approvals of “conservation use” and “temporary nonuse.” A revision to the grazing regulations in 1995 added provisions that purported to allow the BLM to issue a grazing permit for “conservation use,” that is the absence of grazing, for up to the full term of the permit. In 1999, the Tenth Circuit, affirming a decision by a federal district court, found that the conservation use element of the 1995 rule exceeded the BLM’s statutory authority under the TGA. *Babbitt*, 167 F.3d at 1307–08. The proposed rule eliminates reference to and discussion of conservation use permits from section 4130.2.

Meanwhile, the discussion of “temporary nonuse” in this section is no longer necessary because that topic is comprehensively addressed by the proposed revisions to section 4130.4.

The BLM is proposing to redesignate paragraphs (i) and (j) as paragraphs (g) and (h) and revise the newly designated paragraph (g) to eliminate the need to include land offered under exchange-of-use agreements when calculating the percentage of public land within an allotment for purposes of including that information in a grazing permit.

The BLM is proposing to add a new paragraph (i) to incorporate into the grazing regulations the statutory provision of FLPMA that allows the BLM to prioritize grazing permits for renewal based on relevant

environmental concerns and available funding. See 43 U.S.C. 1752(i).

Section 4130.3 Terms and Conditions

The BLM is proposing to revise section 4130.3 to eliminate its reference to subpart 4180 which this proposed rule would also eliminate. For detailed discussion of the proposals to eliminate subpart 4180 and promulgate similar provisions at new part 1700, see the preamble discussion of those sections.

Section 4130.3–1 Mandatory Terms and Conditions

The BLM is proposing to revise paragraph (a) of section 4130.3–1 to provide for how the BLM will determine the carrying capacity that serves as the limit for permitting grazing use. The remaining proposed changes to section 4130.3–1 are organizational or otherwise ministerial in nature. The BLM is also proposing to eliminate paragraph (c) as it refers to subpart 4180 which this proposed rule would also eliminate. For detailed discussion of the proposals to eliminate subpart 4180 and promulgate similar provisions at new part 1700, see the preamble discussion of those sections.

Section 4130.3–2 Other Terms and Conditions

The BLM is proposing to revise paragraph (b) of section 4130.3–2 to provide that the BLM will identify the class of livestock in addition to or instead of, as appropriate, the breed when issuing permits for allotments within which two or more permittees are permitted to graze.

The BLM is proposing to revise paragraph (c) to provide that authorization for placement of nutritional supplements beyond salt must be included in the terms and conditions of a permit.

The BLM is proposing to delete paragraph (e). Consistent with the proposal elsewhere to limit grazing authorizations under section 4130.2 to production-oriented livestock, there is no basis for a different treatment of “indigenous” animals within those permits. For more detailed discussion of that proposal, see the discussion of proposed changes to section 4130.2, *supra*.

The BLM is proposing to add a new paragraph (h) (having renumbered paragraphs (f) through (h) as paragraphs (e) through (g) with the deletion of existing paragraph (e)) to provide for the inclusion of flexible terms and conditions, and their limits, to allow operators to adjust grazing practices without separate approval by the BLM. Since the operative regulations were put

in place, the BLM and operators have in many cases moved toward a more flexible, outcome-based model for grazing authorizations. This addition is part of an effort to modernize the grazing regulations to reflect this more flexible approach.

Section 4130.3–3 Modification of Permits

The BLM is proposing to revise section 4130.3–3 to make clear that a modification of permit terms and conditions must be made by a final grazing decision in a process that follows the procedures of subpart 4160. The proposed rule would also clarify that, in cases where the modification is in response to an application by the permittee, the BLM will begin the consultation, cooperation, and coordination process only once such application is complete, and that the consultation, cooperation, and coordination process under this section is limited to just the affected permittee and the state or states that contain the allotment at issue. For further discussion of the rationale for removing requirements to include the interested public in consultation, cooperation, and coordination opportunities, see the discussion above of the proposed changes to section 4110.2–4.

Other proposed changes to section 4130.3–3 are limited to edits for organization and clarity and would not change the operation of the section.

Section 4130.4 Authorization of Temporary Changes in Grazing Use Within the Terms and Conditions of Permits, Including Temporary Nonuse

The BLM is proposing a wholesale revision of section 4130.4 to better delineate the process and standards for adjusting grazing use within the terms and conditions of a permit, and in particular to clarify that process and those standards with respect to temporary nonuse. This revision is necessary because the operative provision continues to reflect the “conservation use” concept that was challenged and found to be beyond the BLM’s authority under the TGA and because the operative provision does not reflect changes in grazing management by the BLM and permittees to move toward a more flexible, outcome-based approach or to allow for the application of targeted grazing to address resource needs.

The proposed section would allow the BLM to approve changes to livestock number and period of use when a permittee applies for temporary nonuse. The proposed section would require permittees to actively apply for

temporary nonuse and would provide that the BLM approves temporary nonuse on an annual basis. Temporary nonuse may be appropriate and approved for natural resource management, enhancement, and protection (including fuels management), or based on the business or personal needs of the permittee, in the latter case for no more than four consecutive years. In the case of temporary nonuse for business or personal reasons, the proposed provision would allow the BLM to make the forage subject to temporary nonuse available to another qualified applicant.

The proposed section would also allow the BLM to approve changes to period of use to allow the permittee to graze up to 21 days before the begin date and 21 days after the end date specified in the permit terms and conditions.

In both cases, the ability to change grazing use within the terms and conditions of the permit provides operators and the BLM with flexibility to respond to changing conditions, both on the ground and in operators' business and personal lives, and protect resources to ensure healthy rangelands and continued availability of forage.

Section 4130.5 Free-Use Grazing Permits

The BLM is proposing to remove section 4130.5 as a stand-alone section. The provisions of paragraph (a) are no longer necessary as the BLM treats applications for permits issued in the circumstances described in paragraph (a) the same as it would a general application for a grazing permit. The provisions in paragraph (b), meanwhile, are proposed to be relocated to section 4130.2(d)(4), which allows authorization of grazing for less than the standard ten-year period.

Section 4130.6 Other Grazing Authorizations

The BLM is proposing minor revisions to the types of other authorizations listed here to align with changes proposed to the related substantive provisions that follow, which are described below.

Section 4130.6–1 Exchange-of-Use Grazing Agreements

The BLM is proposing to revise section 4130.6–1 to make explicit that exchange-of-use grazing agreements are available to applicants who do not already hold a permit to graze the allotment that would be subject to the agreement and that applicants are not required to have grazing preference to be eligible for an exchange-of-use agreement. The proposed rule would

also change “livestock carrying capacity” to “carrying capacity” to reflect that carrying capacity encompasses more than just livestock use. The remaining proposed revisions to section 4130.6–1 are organizational or otherwise ministerial in nature.

Section 4130.6–2 Nonrenewable Grazing Permits

The BLM is proposing to revise section 4130.6–2 to limit the consultation, cooperation, and coordination process under this section to just the affected permittee and the state or states that contain the allotment at issue. For further discussion of the rationale for removing requirements to include the interested public in consultation, cooperation, and coordination opportunities, see the discussion above of the proposed changes to section 4110.2–4.

The BLM is proposing other minor revisions to section 4130.6–2 to add relevant cross-references to other provisions of the grazing regulations and to clarify language.

Section 4130.6–3 Trailing Permits

The BLM is proposing to refer only to “trailing” permits and eliminate use of the synonymous term “crossing” permit. Both phrases are currently used, creating unnecessary confusion. The Rangeland Administration System (RAS) identifies these permits as “trailing” permits.

The BLM is proposing to add a new paragraph (b) to section 4130.6–3 (and to designate the existing operative text of the provision as paragraph (a)) to provide that the BLM may issue a trailing permit with immediate effect or on a date set out in the decision. Frequently, needing to wait 30 days for a trailing permit to go into effect defeats the purpose of the request for a trailing permit by the livestock operator.

Section 4130.6–4 Special Grazing Permits

The BLM is proposing to remove section 4130.6–4. The TGA authorizes the BLM to issue permits for grazing only by “livestock” and includes no separate allowance for grazing by indigenous animals. Grazing by indigenous animals, therefore, is appropriately subject to the same requirements and limitations as grazing by other livestock and should be authorized through a standard grazing permit. Indeed, even today, with this provision in effect, the BLM often authorizes grazing by bison and other indigenous animals under standard permits and without reference to this provision.

Section 4130.7 Ownership and Identification of Livestock

The BLM is proposing to revise section 4130.7 to expand the category of ranchers who may work with a permittee to learn the business and begin their own. The operative rule limited that opportunity to the permittee’s “sons and daughters.” In the BLM’s experience, that is too restrictive. By expanding the opportunity to anyone who qualifies as a “beginning rancher” (for discussion of the qualifications to be a beginning rancher, see discussion of the proposed definition of that term in the discussion of section 4100.0–5, *supra*), the proposed rule would give greater opportunity to those who seek to learn the livestock business and who will become the next generation of BLM grazing permittees.

The BLM is also proposing to eliminate subparagraph (f)(2), which requires that livestock owned by sons or daughters or, under the proposed rule, by grandchildren or other beginning ranchers not exceed 50 percent of the total number of livestock authorized under the permit. This limitation is unnecessary and similarly serves to constrain the allowance made in this part to encourage the next generation of ranchers.

Section 4130.8–1 Payment of Fees

The BLM is proposing to add a new subparagraph (a)(4) to provide that the grazing fee used for authorizations under newly proposed paragraphs (g) and (h) will be equal to the average value of the grazing fee for the 10 years immediately preceding the issuance of the billed grazing permit.

The BLM is proposing to add to paragraph (b) that no fee shall be charged for a trailing permit unless livestock will be trailing for more than 24 hours while also noting that a trailing permit is still required even in cases where trailing will occur for less than 24 hours.

The BLM’s proposed revisions to paragraph (c), including the proposal to divide it into paragraphs (c), (d), and (e), are organizational or otherwise ministerial in nature. The BLM is proposing to redesignate paragraph (d) as paragraph (f) and revise the text to provide that the surcharge for grazing by livestock owned by persons other than the permittee will not apply to “beginning ranchers” (as opposed to just “sons and daughters”) or in cases where the other person is another permittee being provided relief from drought, fire, or other natural causes, or to facilitate installation, maintenance, or modification of range improvements.

The BLM believes that the surcharge was never intended for situations where a permittee is in need of relief from external forces beyond its control or is taking action to help improve the range.

The BLM is proposing to add new paragraphs (g) and (h) to allow the BLM to issue a single bill to cover fees for the whole life of a permit in the case of small operations and, at the election of the permittee, for larger operations, rather than issue a bill each year, as it currently does for all permits. Preparing and issuing bills on an annual basis places an administrative burden on the BLM. Similarly, paying those bills on an annual basis places a burden on permittees, especially those with small operations or operations that use only a small amount of BLM-managed land. For example, a permittee with 35 AUMs could pay \$591.50 once at the beginning of their permit instead of remembering to pay a bill for \$59.15 each year for ten years. To alleviate those burdens, under the proposed rule, the BLM would issue a single bill to cover the whole life of a permit in all cases in which the permit authorizes fifty or fewer AUMs per year. Payment would be required prior to grazing use. Under the proposed rule, the BLM would allow permittees whose permits authorize more than fifty AUMs per year to elect to pay a single bill prior to grazing use. As noted above, under proposed paragraph (a)(4), the fee for permits issued under these proposed provisions would be based on the average value of the grazing fee for the 10 years immediately preceding their issuance. Under proposed section 4130.8–2(c), such fees would be non-refundable. If the BLM were forced to process refunds for those fees, it would negate the efficiencies gained by using the aggregate billing approach.

The BLM is proposing to redesignate paragraph (e) as paragraph (i) and revise the text to provide that, in cases where grazing is billed after the grazing season, grazing fees are due within 30 days of when the bill issues and not “upon issuance,” as under the operative regulations. The remaining proposed revisions to paragraph (e) (redesignated as paragraph (i)) are ministerial in nature.

Section 4130.8–2 Refunds

The BLM is proposing to add a new paragraph (c) to section 4130.8–2 to provide that grazing fees are non-refundable in cases of aggregate billing under proposed section 4130.8–1(g)–(h) for the reasons of efficiency discussed above.

Section 4130.8–3 Service Charge

The BLM is proposing minor revisions to section 4130.8–3 to clarify language.

Section 4140.1 Acts Prohibited on Public Lands

The BLM is proposing to revise paragraph (a) of section 4140.1 to eliminate references to “conservation use,” as that concept was previously challenged and found to be beyond the BLM’s authority under the TGA, and otherwise clarify the language to provide for precision in these regulations, the violation of which may carry a criminal sanction. The BLM is specifically soliciting comment as to whether the agency should define “substantial use” as used in section 4140.1(a)(2).

The BLM is proposing to revise paragraph (b) to more succinctly provide that timely payment of grazing and surcharge fees is required to avoid penalties for unauthorized use under section 4140.1(b)(1)(i).

The BLM is proposing to revise paragraph 4140.1(b)(10) to provide that direction by the authorized officer to reclaim or repair lands, property, or resources must be in writing before the failure to follow such direction constitutes a violation.

The BLM is proposing to remove paragraph 4140.1(b)(11). Instances in which a permittee leaves a gate open can be managed through the trespass process under subpart 4150. When apprehended, criminal sanction under other authorities may be available for members of the public who leave gates open.

The remaining proposed revisions to section 4140.1 are ministerial in nature.

Section 4150.1 Violations

The BLM is proposing to revise section 4150.1 to require in regulation that the BLM must contact the owner of livestock, and document such contact, whenever it appears there is an instance of unauthorized use in violation of section 4140.1(b)(1) and to provide criteria by which an authorized officer may conclude that a nonwillful violation may be treated as “incidental.” In general, the revisions to subpart 4150 are intended to reinforce that unauthorized grazing use must be appropriately documented. Such reinforcement is necessary to respond to findings made by the GAO in its 2016 report that such documentation was not consistently prepared.⁷ At the same

time, it is appropriate to treat certain categories of violations more informally. The BLM proposes that where the authorized officer concludes that the unauthorized use occurred through no fault of the livestock operator; the forage consumed as a result of the unauthorized use is insignificant; public lands have not been damaged; and the livestock operator promptly corrects the violation, the violation should be considered “nonwillful and incidental” and may be resolved with less formality than other, more serious violations.

Section 4150.2 Notice and Order To Remove

The BLM is proposing to revise section 4150.2 to reinforce that all violations must be documented in a written notice of unauthorized use and order to remove livestock. Consistent with the proposed revisions to section 4150.1, discussed above, the BLM is also proposing to relax that requirement in the case of nonwillful violations that meet the newly articulated criteria for being considered incidental. The BLM is also proposing to revise section 4150.2 to explicitly provide that an operator may contest with the BLM the characterization of a violation as willful.

Section 4150.3 Settlement

The BLM is proposing to revise section 4150.3 to align with revisions in section 4150.1 and 4150.2. The operative regulations already had an allowance for nonmonetary settlement in the kind of cases that now, under the proposed rule, would be characterized as incidental. The proposed rule further provides that the authorized officer may, at his or her discretion, exempt a nonwillful violation from the settlement process altogether if the authorized officer finds, to his or her satisfaction, that the livestock operator promptly corrected the violation. The remaining proposed revisions are ministerial in nature.

Section 4150.4–1 Notice of Intent to Impound

The BLM is proposing a minor addition to section 4150.4–1 to require that notices of intent to impound be posted to a BLM or Department website, if available.

Section 4160.1 Proposed Decisions

The BLM is proposing to revise paragraph (a) of section 4160.1 to modernize and make more efficient the process for issuing proposed decisions. Under the proposed rule, the BLM

⁷ United States Government Accountability Office, Report to the Committee on Natural Resources, House of Representatives, *Unauthorized*

Grazing: Actions Needed to Improve Tracking and Deterrence Efforts (July 2016).

would be able to use more modern modes of service when notifying affected applicants, permittees, their agents, and lien holders of a proposed decision. The BLM proposes to allow service by registered or certified mail, personal delivery, delivery service (to physical addresses), and electronic mail (in cases where the person to be served consents in writing to electronic service). The proposed rule would also eliminate the requirement that proposed decisions be sent beyond the identified participants (*i.e.*, to the interested public as well). Instead, under the proposed rule, proposed decisions would be posted to a BLM website, and it would be the responsibility of the interested public to keep abreast of BLM management of the grazing allotments in which they have an interest. This change acknowledges significant changes in modes of communication since the existing regulation was promulgated, including the rise of internet communication and the increased transparency and availability of information that the internet affords. Moreover, this change would align the BLM's process with that of other programs and agencies and streamline the process for issuing grazing decisions and bring that process more in line with the process for other types of land use authorization decisions that the BLM makes. It also would facilitate a more orderly protest process, as described below in the discussion of proposed changes to section 4160.2.

The BLM is proposing to revise paragraph (c) of section 4160.1 to expand the categories of decisions which the authorized officer may, at his or her discretion, issue as final decisions without first issuing a proposed decision. The BLM would continue to be authorized to issue final decisions, without first issuing a proposed decision, under section 4110.3–3(a)(2)(ii) (section 4110.3–3(b) under the operative rule) to close allotments and modify authorized use in exigent circumstances and under section 4150.2(e) (section 4150.2(d) under the operative rule) to issue temporary grazing closures. The proposed rule would also allow the BLM to issue the following categories of decisions as final decisions, without first issuing a proposed decision: decisions under section 4130.6–3 to issue a trailing permit; decisions under section 4170.1–2 to cancel active use that a permittee has failed to use; decisions issuing permits where public land is 15 percent or less of the allotment; decisions issuing permits for fewer than 50 AUMs; decisions issuing

permits to which the categorical exclusion established by section 402(h)(1) of FLPMA (43 U.S.C. 1752(h)(1)) applies; decisions issuing permits in cases where the terms and conditions are not changing, there is no interested public associated with the allotment, and the permittee is the only party receiving the decision; decisions to authorize a range improvement in cases where there is no interested public associated with the allotment and the permittee is the only party receiving the decision; decisions issuing permits that adjust the number of livestock, while making no other changes, to account for a change in the percentage of public land within an allotment; decisions under section 4110.2–3(i)(1) to issue a grazing permit following a preference transfer that has the same terms and conditions, including expiration date, as the predecessor permit; decisions under section 4110.2–3(i)(3) to continue under a new permit, following a preference transfer, the terms and conditions of the predecessor permit, consistent with section 402(c)(2) of FLPMA (43 U.S.C. 1752(c)(2)); and decisions issuing permits to account for a change to the name or configuration of an allotment or to correct the legal description of allotment boundaries, while making no other changes.

The BLM is specifically soliciting comment as to whether there are additional categories of decisions that would be appropriate to exclude from the requirement to first issue a proposed decision.

Section 4160.2 Protests

The BLM is proposing to revise section 4160.2 to simplify the timing of protests. Under the operative rule, every person who receives a proposed decision has 15 days from the point of receipt to register any protest to the proposed decision. This has led to confusion as different recipients may have different deadlines to respond, and it has proven difficult for the BLM to always know when those deadlines are in all cases. The proposed rule would provide for a single deadline for protest tied to the date that the proposed decision is issued—*i.e.*, when it is *sent* to the parties required to be served and when (under the proposed changes to section 4160.1) it is posted to a BLM website. To account for the time involved in delivering the proposed decision and identifying proposed decisions posted online, the BLM is proposing to expand the period for registering a protest from 15 days to 20 days.

Section 4160.3 Final Decisions

The BLM is proposing minor revisions to paragraph (b) in section 4160.3 to align the provision for service in that section with the proposed changes in section 4160.1 to the mode and acceptable methods of service of proposed decisions.

The BLM is also proposing a new paragraph (c) to replace existing paragraphs (c) through (f). The proposed paragraph tracks language included in previous iterations of the grazing regulations and would provide that, consistent with the applicable provisions of 43 CFR part 4, which governs administrative appeals to the Office of Hearings and Appeals generally, final decisions may be appealed within 30 days of issuance, during which time the final decision is not in effect. As an exception to that rule, proposed paragraph (c) allows the authorized officer to determine that a final decision should be effective immediately, notwithstanding the general rule under 43 CFR part 4 that decisions only go into effect after 30 days. Proposed paragraph (c) further provides that an appeal will have the effect of suspending the final decision until the appeal is resolved. No separate petition for stay would be required. The proposed paragraph then provides that, as under the current regulations, permittees who were granted grazing use in the preceding year would be entitled to continue that use during the pendency of the appeal and the attendant suspension of the final decision. Finally, proposed paragraph (c) allows for an exception to the general rule that an appeal suspends the effect of the final decision for cases where, if required for the protection of range resource values, the authorized officer determines and documents that the decision should be issued in full force and effect. In such cases, the final decision is not suspended during an appeal. The BLM anticipates that many of the provisions of proposed paragraph (c) will operate similarly to the equivalent provisions in the existing regulation. The proposed revisions are intended to streamline and simplify the regulatory language and, in particular, the process for securing a stay of the effect of a final decision being appealed by providing for the automatic suspension, in most cases, of final decisions if and when appealed.

Section 4160.4 Appeals

The BLM is proposing ministerial edits to section 4160.4 to revise cross-references to 43 CFR part 4, which was itself recently revised. The proposed

edits would provide a cross-reference only to the part number and would eliminate the summary of what part 4 provides to avoid having those cross-references and that summary go out of date again in the future.

Section 4170.1–2 Failure To Use

The BLM is proposing to revise section 4170.1–2 to make clear that approved temporary nonuse will not be held against the permittee when the BLM evaluates whether that permittee has been making substantial use of their authorization to graze. Although the BLM has never enforced section 4170.1–2 in a manner that punished operators for taking approved temporary nonuse, the uncertainty caused by the ambiguity in the operative version of this section has led some operators to avoid seeking and receiving approval even where temporary nonuse is a good option for either the operator's own business circumstances or for protection of forage and other resources. The remaining edits proposed to section 4170.1–2 are ministerial in nature.

Subpart 4180—Fundamentals of Rangeland Health and Standards and Guidelines for Grazing Administration

The BLM is proposing to eliminate subpart 4180 from the grazing regulations and replace it with the part 1700 regulations proposed in this rule. Although the concepts of land health are born out of the congressional direction in PRIA to protect rangelands, threats to land health are not limited to livestock grazing. Other uses of the public lands, including their management for wild horse herds, may contribute to those lands failing to achieve and maintain the fundamentals of land health. But by focusing assessment of those fundamentals within the grazing program and, effectively, tying land health evaluation to the grazing permitting process, without other allowance for addressing concerns, it is grazing permittees who have carried a disproportionate burden of management to foster land health. For more detailed discussion of this rationale and of the operation of the newly proposed regulations, see the discussion of the proposed part 1700 regulations, *supra*.

Section 4190.1 Effect of Wildfire Management Decisions

The BLM is proposing to revise section 4190.1 to add targeted grazing to the list of examples of appropriate fuel reduction and fuel treatment activities.

III. Severability

The provisions of the proposed rule should be considered separately. If any portion of the rule were stayed or invalidated by a reviewing court, the remaining elements would continue to provide the BLM with important and independently effective tools to manage livestock grazing on the public lands. Hence, if a court prevents any provision of this proposed rule from taking effect, that should not affect the other parts of the proposed rule. The remaining provisions would remain in force.

IV. Procedural Matters

Regulatory Planning and Review Under Executive Order 12866

Section 6(a) of Executive Order (E.O.) 12866 requires agencies to submit “significant regulatory actions” to the Office of Information and Regulatory Affairs (OIRA) for review. OIRA has determined that this proposed regulatory action constitutes a “significant regulatory action” under section 3(f) of E.O. 12866. Accordingly, this action was submitted to OIRA for review under E.O. 12866. The BLM is required to conduct an economic analysis in accordance with section 6(a)(3)(B) of E.O. 12866. The BLM has complied with this directive in this document.

Review Under Executive Orders 14154 and 14192

The BLM has examined this proposed rulemaking and has determined that it is consistent with the policies and directives outlined in E.O. 14154, *Unleashing American Energy*, and E.O. 14192, *Unleashing Prosperity Through Deregulation*. This proposed rule is an E.O. 14192 deregulatory action.

Regulatory Flexibility Act

Under the Regulatory Flexibility Act (as amended by the Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996; 5 U.S.C. 601 *et seq.*), whenever a Federal agency is required to publish a notice of rulemaking for any proposed or final rule, it must prepare and make available for public comment an initial regulatory flexibility analysis that describes the reasons why the action is being considered, a statement of the objectives and legal basis for the proposed rule, an estimate of the number of small entities the proposed rule will apply to, a description of reporting and recordkeeping requirements, and an identification of overlapping rules and laws. 5 U.S.C. 603(b). The reasons, objectives, and legal basis for the proposed rule are described above. The

Proposed Rule is expected to reduce time and operational costs for small entities who hold permits to graze on BLM lands, though there may be some costs to small entities, particularly related to understanding the regulatory changes and adjusting to aggregate billing.

To estimate the number of small businesses that may be affected by the Proposed Rule, the BLM relied on data from the USDA Census of Agriculture for the Beef Cattle Ranching and Farming (NAICS 112111), Sheep Farming (NAICS 112410) and Goat Farming (NAICS 112420) industries. It is likely that at least some of these operations are a component of a larger business enterprise. In total, the BLM estimates 112,512 small businesses in the grazing sectors operate in states with BLM grazing. To identify small organizations and small government jurisdictions, the BLM searched grazing permit operators for key terms that may signal permits held by organizations or governments. There are roughly 40 government entities and 44 not-for-profit organizations that hold grazing authorizations.

As detailed in the IRFA, there are four types of impacts that will generate benefits or costs for small entities: rule familiarization, changes in billing for small permits, improved efficiency of decisions, and the surcharge exemption for beginning ranchers. All businesses operating on BLM lands may incur an estimated one-time cost associated with rule familiarization, and unquantified recurring benefits from improved efficiency of decisions. Only those businesses that operate on BLM lands and hold small authorizations will be affected by changes in billing for small permits. The estimated net effect on these businesses is either a \$43 benefit per bill or a \$72 cost per bill, depending on the discount rate used. The improved efficiency of decisions is expected to benefit small ranching operations but the impacts are unquantified. Finally, the surcharge exemption is expected to benefit a limited number of operations where a beginning rancher intending to take over the business is grazing livestock under a permit in his or her mentor's name.

The BLM has estimated the potential economic impacts to small entities using best available information. Based on this analysis, the BLM does not expect the proposed rule to have a significant impact on a substantial number of small entities. However, the BLM solicits comments from affected small entities on the Initial Regulatory Flexibility Analysis. Comments with

additional information that could improve the analysis are most helpful.

Review Under Unfunded Mandates Reform Act

This proposed rule would not impose an unfunded mandate on State, local, or tribal governments, or the private sector of more than \$100 million per year. The rule does not have a significant or unique effect on State, local, or tribal governments or the private sector as there is no direct implementation of action as a result of this rule. A statement containing the information required by the Unfunded Mandates Reform Act (2 U.S.C. 1531 *et seq.*) is not required.

Review Under Governmental Actions and Interference With Constitutionally Protected Property Right—Takings E.O. 12630

This proposed rule would not effect a taking of private property or otherwise have taking implications under Executive Order 12630 as the rule only applies to livestock grazing on public lands. A takings implication assessment is not required.

Review Under E.O. 13132

Under the criteria in section 1 of Executive Order 13132, this rule would not have sufficient federalism implications to warrant the preparation of a federalism summary impact statement. This rule, while it would promulgate regulations at a national level and across multiple western states, would not affect the distribution of power within a State or propose to change the relationship between the national government and the States. Therefore, a federalism summary impact statement is not required.

Review Under E.O. 12988

This rule complies with the requirements of Executive Order 12988. Specifically, this rule:

- (a) Meets the criteria of section 3(a) requiring that all regulations be reviewed to eliminate errors and ambiguity and be written to minimize litigation; and
- (b) Meets the criteria of section 3(b)(2) requiring that all regulations be written in clear language and contain clear legal standards.

Review Under E.O. 13211 of Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use

Under Executive Order 13211, agencies are required to prepare and submit a Statement of Energy Effects to the Administrator of OIRA for those

matters identified as significant energy actions. This statement is to include a detailed statement of “any adverse effects on energy supply, distribution, or use (including a shortfall in supply, price increases, and increased use of foreign supplies) should the proposal be implemented” and “reasonable alternatives to the action with adverse energy effects and the expected effects of such alternatives on energy supply, distribution, and use.”

Section 4(b) of E.O. 13211 defines a “significant energy action” as “any action by an agency (normally published in the **Federal Register**) that promulgates or is expected to lead to the promulgation of a final rule or regulation, including notices of inquiry, advance notices of proposed rulemaking, and notices of proposed rulemaking: (1)(i) that is a significant regulatory action under E.O. 12866 or any successor order, and (ii) is likely to have a significant adverse effect on the supply, distribution, or use of energy; or (2) that is designated by OIRA as a significant energy action.”

This proposed rule, if finalized as proposed, is not expected to have a significant effect on the Nation’s energy supply.

Review Under E.O. 13175

The Department strives to strengthen its government-to-government relationship with Indian tribes through a commitment to consultation with Indian tribes and recognition of their right to self-governance and tribal sovereignty. We have evaluated this rule under the criteria in Executive Order 13175 and the Department of the Interior’s manual at 512 DM 2, 512 DM 4 and 512 DM 6, and we acknowledge our responsibility to communicate meaningfully with federally recognized Tribes and Alaska Native Corporations on a government-to-government basis. Through this notice we invite Tribes and Alaska Native Corporations to participate in government-to-government consultation on this proposed rule. Consultation may be arranged by contacting the individual listed in the “For Further Information Contact” section above and may take the form of an in-person meeting or via teleconference or virtual web meeting. In addition, we will send communication via electronic mail to all 574 federally recognized Indian Tribes and to approximately 200 Alaska Native Corporations soliciting their input as to whether or not they would like the BLM to consult with them on the proposed changes to the regulations at 43 CFR part 4100, *Grazing Administration—Exclusive of Alaska* and to notify them

of the opportunity to participate in an informational webinar. The opportunity for government-to-government consultation will remain open for the duration of the rulemaking, and the BLM welcomes Tribal input at any time before the final rule is issued. Tribes may be particularly interested in sections 4100 “*Authority*” and 4120.5–2 “*Cooperation with state, county, Tribal and Federal agencies and governments.*”

Paperwork Reduction Act

The Paperwork Reduction Act (PRA) (44 U.S.C. 3501–3521) generally provides that an agency may not conduct or sponsor and, not withstanding any other provision of law, a person is not required to respond to a collection of information, unless it displays a currently valid OMB control number. Collections of information include any request or requirement to obtain, maintain, retain, or report information to an agency, or disclose information to a third party or to the public (44 U.S.C. 3502(3) and 5 CFR 1320.3(c)). OMB has approved the existing information-collection requirements contained in 43 CFR part 4100 under OMB control number 1004–0041. This proposed rule would revise information-collection requirements that are subject to review by OMB under the PRA.

Proposed Revised Information Collections

43 CFR 4130.2(a) and Form 4130–1: The BLM is proposing to revise paragraph (a) of section 4130.2 to more simply identify the key components of a grazing permit—the permitted use, including active and suspended use, and the terms and conditions of the permit. The BLM is also proposing to limit grazing permits to operations involving “production-oriented” livestock. Form 4130–1 would be revised to capture these changes to the way information is included in a grazing permit. Form 4130–1b would be revised to require applicants to certify that they are engaged in a production-oriented livestock business.

43 CFR 4130.7 and Form 4130–1b: The BLM is proposing to revise section 4130.7 to expand the category of ranchers who may work with a permittee to learn the business and begin their own. Accordingly, the section of Form 4130–1b on ownership and control of livestock would be revised to include grandchildren of grazing permittees and beginning ranchers as among those that may graze public lands subject to a permit held by someone else.

The proposed rule would not change the estimated public reporting burdens for these forms because the changes do not result in new or different information being submitted with a grazing permit application, only the scope of the questions presented on the two impacted forms would change. The other forms under this OMB Control Number would remain unchanged.

Renewal of OMB Control Number 1004–0041

OMB Control Number 1004–0041 is currently scheduled to expire on November 30, 2026. Contemporaneous with this rulemaking process, the BLM plans to request that OMB renew this OMB Control Number for an additional three (3) years. As part of our continuing effort to reduce paperwork and respondent burdens, we invite the public and other Federal agencies to comment on new, proposed, revised, and continuing collections of information. This helps us assess the impact of our information collection requirements and minimize the public's reporting burden. It also helps the public understand our information collection requirements and provide the requested data in the desired format. We are especially interested in public comments addressing the following:

- (1) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- (2) The accuracy of our estimate of the burden for this collection of information, including the validity of the methodology and assumptions used;
- (3) Ways to enhance the quality, utility, and clarity of the information to be collected; and
- (4) How the agency might minimize the burden of the collection of information on those who are to respond, including the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of response.

The annual estimated total burdens for OMB Control Number 1004–0041, along with an abstract of this information collection, are provided below.

Title of Collection: Authorizing Grazing Use (43 CFR subparts 4110 and 4130).

OMB Control Number: 1004–0041.

Form Numbers: 4130–1, 4130–1a, 4130–1b, 4130–3a, 4130–4, and 4130–5.

Type of Review: Revision of a currently approved collection of information.

Respondents/Affected Public: Any U.S. citizen or validly licensed business may apply for a BLM grazing permit or lease.

Respondent's Obligation: Required to obtain or retain a benefit.

Frequency of Collection: On occasion and annual.

Estimated Completion Time per Response: Varies from 10 to 35 minutes, depending on activity.

Number of Respondents: 18,010.

Annual Responses: 33,810.

Annual Burden Hours: 7,855.

Annual Burden Cost: \$30,000.

Abstract: The Taylor Grazing Act of 1934 (43 U.S.C. 315) and the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701) authorize the BLM to administer the livestock grazing program consistent with land use plans, multiple use objectives, sustained yield, environmental values, economic considerations, and other factors. Maintaining accurate records of permittee qualifications for a grazing permit, base property used in conjunction with public lands, and the actual use made by livestock authorized to graze on the public lands, is an important and integral part of the program administration and grazing management. The regulations at 43 CFR 4110.1 and 43 CFR 4110.2 require application and notice to the BLM to transfer grazing preference and to apply for a permit in conjunction with a preference transfer. The regulations at 43 CFR 4130.1 require existing permittees to apply to the BLM for changes in their authorized grazing. The regulations at 43 CFR 4130.3–2(d) allow the BLM to require permittees operating under a grazing permit to submit an actual grazing use report within 15 days after completing their annual grazing use, or as otherwise specified in the permit. The regulations at 43 CFR 4130.6–1 allow the BLM to enter into “exchange-of-use” agreements with applicants who own or control lands that are unfenced and intermingled with public lands within an allotment. The BLM requires applicants and permittees to submit the required information on Forms 4130–1, 4130–1a, 4130–1b, 4130–3a, 4130–4, and 4130–5.

Comments on Proposed Information Collections in Proposed Rule

The complete information collection request that has been submitted to OMB for this proposed rule is available at www.reginfo.gov/public/do/PRAMain. Find this information collection by selecting “Currently under Review—Open for Public Comments” or by using the search function. If you want to comment on the information-collection

requirements of this proposed rule, please send your comments and suggestions on this information-collection by the date indicated in the **DATES** and **ADDRESSES** sections as previously described.

Comments on Proposed Renewal of OMB Control Number 1004–0041

If you only want to comment on the proposed renewal of this OMB Control Number, send your written comments by email to Darrin King, BLM Information Collections Officer, at BLM_HQ_PRA_Comments@blm.gov. Please refer to OMB Control Number 1004–0041 in the subject line of your comments. Please do not send comments on the proposed rule to the above email address. Comments on the proposed rule should be provided as indicated in the **DATES** and **ADDRESSES** sections as previously described.

National Environmental Policy Act

The BLM intends to apply the categorical exclusion (CE) identified in the Department's NEPA regulations at 43 CFR 46.210(i) to comply with NEPA. This CE covers policies, directives, regulations, and guidelines that are of an administrative, financial, legal, technical, or procedural nature or whose environmental effects are too broad, speculative, or conjectural to lend themselves to meaningful analysis and will later be subject to the NEPA process, either collectively or case-by-case. The proposed rule is administrative and procedural in nature. It sets out the processes for evaluating and approving grazing authorizations under the TGA and would establish a new process for evaluating and responding to land health conditions on public lands. Where and at what levels grazing will occur is ultimately determined by planning decisions and individual permitting decisions, and this rule would not dictate the outcome of any of those decisions, which would be subject to NEPA on a case-by-case basis. Similarly, the rule obliges the BLM in some circumstances to take “appropriate action” to address concerns associated with land health. What constitutes appropriate action, its timing, and its environmental effects will all turn on the particular facts and circumstances present when and where that obligation is triggered. Before taking “appropriate action,” the BLM would analyze the environmental effects of doing so under NEPA.

Finally, the BLM expects that the proposed rule would not implicate any of the extraordinary circumstances listed in 43 CFR 46.215. The BLM plans to document the applicability of the CE

concurrently with development of the final rule.

List of Subjects

43 CFR Part 4

Administrative practice and procedure, Claims.

43 CFR Part 1700

Fundamentals of Land Health, Standards, Assessment and Evaluation.

43 CFR Part 4100

Administrative practices and procedure, Grazing lands, Livestock, Penalties, Range management, and Reporting and recordkeeping requirements.

Lanny Erdos,

Director, Office of Surface Mining, Reclamation and Enforcement Exercising Authority of the Assistant Secretary, Land and Minerals Management.

Accordingly, for the reasons set out in the preamble, the Department of Interior, Bureau of Land Management and Office of Hearings and Appeals propose to amend 43 CFR parts 4, 1700, and 4100 as set forth below:

PART 4—DEPARTMENT HEARINGS AND APPEALS PROCEDURES

■ 1. Amend the authority citation for part 4 by revising it to read as follows:

Authority: 5 U.S.C. 301, 503–504, 554–559, 704; 25 U.S.C. 9, 372–374, 410, 2201 *et seq.*; 43 U.S.C. 315h, 1201, 1457; Pub. L. 99–264, 100 Stat. 61, as amended.

Subpart C—Rules Applicable to Proceedings Before the Departmental Cases Hearings Division

■ 2. Amend § 4.170 by, in paragraph (b), removing “(a)” from the cross-reference to § 4160.3(a), and by removing paragraph (g).

■ 3. Add a new § 4.171 to read as follows:

§ 4.171 Effect of decision pending appeal; exhaustion and finality

(a) *Effect of decision pending appeal.* Except as otherwise provided by statute or other pertinent regulation:

(1) A BLM grazing decision will not be effective during the time in which a person or entity adversely affected by the grazing decision may file an appeal under 43 CFR 4160.3 unless the decision is placed into full force and effect by the BLM officer.

(2) An appeal will suspend the effect of the grazing decision pending final action on the appeal unless the decision is placed into full force and effect by the BLM officer.

(b) *Full force and effect decision.* A grazing decision may be placed into full force and effect as follows:

(1) The authorized BLM officer may provide that the grazing decision will be in full force and effect upon issuance or on a date established in the decision, and the grazing decision will remain in effect pending final action on the appeal unless the ALJ grants a stay pursuant to § 4.172.

(2) The ALJ may provide that the grazing decision will be in full force and effect pending a decision or order on the merits if a written motion, supported by clear and convincing evidence, demonstrates that:

(i) Resources on the public lands require immediate protection due to changed circumstances that occurred after the filing of the notice of appeal; and

(ii) The immediate and irreparable harm to the United States due to resource deterioration associated with the continued suspension of the grazing decision exceeds the harm to the Appellant associated with placing the decision into full force and effect.

(3) The ALJ may provide in the decision or order on the merits that the grazing decision will be in full force and effect pending any further appeals, and the grazing decision will remain in effect pending final action on the appeal unless the IBLA grants a stay pursuant to § 4.405.

(c) *Exhaustion and finality of grazing decision.* To ensure exhaustion of administrative remedies, a grazing decision will not be considered final and subject to judicial review under 5 U.S.C. 704 unless it has been made effective pending a decision on appeal in the manner provided in this section.

■ 4. Redesignate § 4.171 as § 4.172 and revise paragraph (a) to read as follows:

(a) Standards and procedures for obtaining a stay. An appellant under § 4.170 may petition for a stay of a grazing decision placed into full force and effect by an authorized BLM officer by filing the petition for a stay with DCHD concurrently with the notice of appeal. Filings must be made in accordance with §§ 4.102 and 4.103. Except as otherwise provided by statute or other pertinent regulation, the following requirements apply:

- (1) * * *
- (2) * * *
- (3) * * *

■ 5. Redesignate § 4.172 as § 4.173.

■ 6. Redesignate § 4.173 as § 4.174.

■ 7. Remove § 4.174.

■ 8. Revise § 4.175 to read as follows:

* * *

(b) *Judicial Review.* A BLM grazing decision may only be challenged in

Federal court under 5 U.S.C. 704 if administrative remedies have been exhausted and the decision has become final and effective in accordance with § 4.171(c). Exhaustion does not require an appeal of a denial of a petition for a stay.

■ 9. Add part 1700 to read as follows:

PART 1700—FUNDAMENTALS OF LAND HEALTH AND STANDARDS FOR PROGRAM ADMINISTRATION

Sec.

1700.1 Fundamentals of land health.

1700.2 Standards.

1700.3 Rapid landscape-scale condition assessment.

1700.4 Land health evaluation and causal factor determination.

Authority: 43 U.S.C. 1701 *et seq.*

PART 1700—FUNDAMENTALS OF LAND HEALTH AND STANDARDS FOR PROGRAM ADMINISTRATION

§ 1700.1 Fundamentals of land health.

The Bureau of Land Management shall manage lands across all program areas in such a manner as to facilitate achievement of the following conditions:

(a) Watersheds are in, or are making significant progress toward, properly functioning physical condition, including their upland, riparian-wetland, and aquatic components; soil and plant conditions support infiltration, soil moisture storage, and the release of water that are in balance with climate and landform; watershed, riparian-wetland, and hydrologic processes maintain or improve water quality, water quantity, and timing and duration of flow.

(b) Ecological processes, including the hydrologic cycle, nutrient cycle, and energy flow, are maintained, or there is significant progress toward their attainment, in order to support healthy biotic populations and communities.

(c) Habitats are, or are making significant progress toward being, restored or maintained for Federal threatened and endangered, Federal candidate, and other special status species.

§ 1700.2 Standards.

(a) The Bureau of Land Management will, as appropriate, develop, amend, and maintain State or regional standards to measure and evaluate achievement of the fundamentals described in § 1700.1. At a minimum, State or regional standards will address the following, where relevant to the State or region in which the standards will apply:

(1) Maintaining or promoting adequate amounts of vegetative ground

cover, including standing plant material and litter, to support infiltration, maintain soil moisture storage, and stabilize soils;

(2) Maintaining or promoting subsurface soil conditions that support permeability rates appropriate to climate and soils;

(3) Maintaining, improving or restoring riparian-wetland functions including energy dissipation, sediment capture, groundwater recharge, and stream bank stability;

(4) Maintaining or promoting stream channel morphology (*e.g.*, gradient, width/depth ratio, channel roughness and sinuosity) and functions appropriate to climate and landform;

(5) Maintaining or promoting the appropriate kinds and amounts of soil organisms, plants and animals to support the hydrologic cycle, nutrient cycle, and energy flow;

(6) Promoting the opportunity for reproductive establishment of appropriate plant species when climatic conditions and space allow;

(7) Restoring, maintaining or enhancing habitats to assist in the recovery of Federal threatened and endangered species;

(8) Maintaining or promoting the processes that minimize non-point sources of water quality pollution;

(9) Maintaining or promoting the physical and biological conditions to sustain native plant populations and communities;

(10) Emphasizing native species in the support of ecological function; and

(11) Incorporating the use of non-invasive, non-native plant species only in those situations in which native species are not available in sufficient quantities or are incapable of maintaining or achieving properly functioning conditions and biological health, or a site has passed an ecological threshold and cannot be returned to a functioning native state.

(b) State or regional standards developed by the Bureau of Land Management may not be implemented prior to their approval by the Bureau of Land Management Director.

(c) Existing standards at the time of promulgation of this part that relate to water quality or air quality shall be rescinded within 30 days of promulgation of this subpart unless relevant to paragraph (a)(8) of this section.

(d) Existing standards at the time of promulgation of this part that refer to “grazing” will be expanded to include all programs, unless inherently specific to grazing management (*e.g.*, a standard that provides that *grazing on designated ephemeral (annual and perennial)*

rangeland is allowed to occur only if reliable estimates of production have been made).

§ 1700.3 Rapid landscape-scale condition assessment.

(a) Rapid landscape-scale condition assessments assess and synthesize information on the condition of soil, water, habitats, and ecological processes that are relevant to the fundamentals of land health identified in § 1700.1.

(b) When conducting rapid landscape-scale condition assessments, the Bureau of Land Management must:

(1) Compile and analyze condition and trend data relevant to each land health standard, including remote sensing products, field-based data, and other data gathered through inventory, assessment, and monitoring activities;

(2) Incorporate consistent analytical approaches, quantitative indicators, and benchmarks where practicable;

(3) Complete the assessment with available data within six (6) months of initiating the assessment process; and

(4) Update the assessment at least once every 10 years.

(c) When authorized officers inventory, assess, and monitor conditions on public lands, they shall employ the following, as appropriate:

(1) Interdisciplinary monitoring plans for providing data relevant to decision makers;

(2) Standardized field protocols and indicators to allow data comparisons through space and time in support of multiple management decisions;

(3) Appropriate sample designs to minimize bias and maximize applicability of collected data;

(4) Integration with remote sensing products to optimize sampling and calibrate continuous map products; and

(5) Data management and stewardship to ensure data quality, accessibility, and use.

§ 1700.4 Land health evaluation and causal factor determination.

(a) Land health evaluations evaluate whether public lands are achieving, making significant progress toward achieving, or not achieving land health standards. To conduct land health evaluations, authorized officers must:

(1) Rely on data and information from rapid landscape-scale condition assessments (§ 1700.3);

(2) Consider multiple lines of evidence to evaluate achievement of each standard;

(3) Identify trends toward or away from desired conditions tied to ecological potential through analysis of high-quality information available over relevant time periods and spatial scales;

(4) Document the rationale and findings as to whether each land health standard is achieved or significant progress is being made towards its achievement; and

(5) Complete land health evaluations within the minimum amount of time necessary to document achievement of standards, but not more than 90 days from initiating the evaluation.

(b) If the authorized officer finds that resource conditions are achieving or making significant progress toward achieving land health standards, no additional analysis under 1700.4 is needed.

(c) If the authorized officer finds that resource conditions are not achieving or making significant progress toward achieving land health standards, a written causal factor determination to identify the significant causal factor or factors for nonachievement must be prepared as soon as practicable but no later than—

(1) 6 months after completion of the land health evaluation; or

(2) If additional time is needed to gather additional information through additional assessment and evaluation under paragraph (d)(2) of this section, 1 year after completion of the land health evaluation.

(d) Causal factor determinations use available data to identify significant causal factors and describe contributing causal factors or conditions leading to non-achievement of standards.

(1) If the authorized officer determines sufficient information exists to identify and address the significant causal factors preventing resources from achieving or making significant progress towards achieving land health standards, no additional information is required.

(2) If the authorized officer determines insufficient information exists to identify and address the significant causal factors preventing resources from achieving or making significant progress towards achieving land health standards, additional information, assessment, and evaluation may be needed at finer scale.

(e) The authorized officer must take appropriate action or actions to facilitate achievement of land health standards within two years of completing a causal factor determination, unless otherwise specified in the land use plan, or unless the significant causal factors identified are outside of Bureau of Land Management control (*e.g.*, lack of streamflow due to dewatering on connected lands not administered by the Bureau of Land Management). Taking appropriate action means implementing an action or actions that

are expected to result in significant progress toward achieving land health standards. Appropriate action must be consistent with applicable law, regulation, and the governing land use plan and its management objectives, such as where an area is managed for recreation or is degraded land prioritized for development. Appropriate actions may include, but are not limited to:

(1) Developing a monitoring schedule with specific objectives to allow progress to be made toward standards, with defined points at which monitoring must inform management decisions, and with an emphasis on collecting the minimum amount of monitoring data necessary to determine if progress is being made or if a standard has been met due to a change in management;

(2) Imposition of relevant terms, conditions or stipulations for new or renewed permits, leases, and other use authorizations;

(3) Development and implementation of activity plans;

(4) Implementation of adaptive management actions; and

(5) Control of unauthorized use.

(f) Upon determining that significant causal factors other than current management practices are preventing achievement of land health standards, but are not outside of Bureau of Land Management control (e.g., presence of invasive species), the authorized officer shall identify and prioritize appropriate actions that may result in significant progress toward achievement of land health standards.

(g) Appropriate action need not include cancellation or modification of a current authorized use that is determined to be a significant causal factor, provided that the use conforms to the governing land use plan and the permittee is in compliance with the terms, conditions or stipulations of the land use authorization.

(h) Authorized officers will report annually to the Bureau of Land Management Director on the results of land health evaluations and causal factor determinations and actions taken to address areas not achieving or making progress toward achieving land health standards.

(i) The Bureau of Land Management will maintain and annually update a publicly available record of the results of land health evaluations, causal factor determinations, and management actions taken to facilitate progress toward achieving land health standards.

■ 10. Revise Part 4100 to read as follows:

PART 4100—GRAZING ADMINISTRATION—EXCLUSIVE OF ALASKA

Subpart 4100—Grazing Administration— Exclusive of Alaska; General

Sec.

- 4100.0–1 Purpose.
- 4100.0–2 Objectives.
- 4100.0–3 Authority.
- 4100.0–5 Definitions.
- 4100.0–7 Cross reference.
- 4100.0–8 Land use plans.
- 4100.0–9 Information collection.

Subpart 4110—Qualifications and Preference

Sec.

- 4110.1 Mandatory qualifications.
- 4110.1–1 Acquired lands.
- 4110.2 Grazing preference.
- 4110.2–1 Base property.
- 4110.2–2 Specifying permitted use.
- 4110.2–3 Transfer of grazing preference.
- 4110.2–4 Allotments.
- 4110.3 Changes in permitted use.
- 4110.3–1 Increasing active use.
- 4110.3–2 Decreasing active use.
- 4110.3–3 Implementing changes in active use.
- 4110.4 Changes in public land acreage.
- 4110.4–1 Additional land acreage.
- 4110.4–2 Decrease in land acreage.
- 4110.5 Interest of Member of Congress.

Subpart 4120—Grazing Management

Sec.

- 4120.1 [Reserved]
- 4120.2 Allotment management plans.
- 4120.3 Range improvements.
- 4120.3–1 Conditions for range improvements.
- 4120.3–2 Cooperative range improvement agreements.
- 4120.3–3 Range improvement permits.
- 4120.3–4 Standards, design and stipulations.
- 4120.3–5 Assignment of range improvements.
- 4120.3–6 Removal and compensation for loss of range improvements.
- 4120.3–7 Contributions.
- 4120.3–8 Range improvement fund.
- 4120.3–9 Water rights for the purpose of livestock grazing on public lands.
- 4120.4 Special rules.
- 4120.5 Cooperation.
- 4120.5–1 Cooperation in management.
- 4120.5–2 Cooperation with state, county, Tribal and Federal agencies and governments.

Subpart 4130—Authorizing Grazing Use

Sec.

- 4130.1 Applications.
- 4130.1–1 Filing applications.
- 4130.1–2 Conflicting applications.
- 4130.2 Grazing permits.
- 4130.3 Terms and conditions.
- 4130.3–1 Mandatory terms and conditions.
- 4130.3–2 Other terms and conditions.
- 4130.3–3 Modification of permits.
- 4130.4 Authorization of temporary changes in grazing use within the terms and conditions of permits, including temporary nonuse.

4130.5 [Reserved]

4130.6 Other grazing authorizations.

4130.6–1 Exchange-of-use grazing agreements.

4130.6–2 Nonrenewable grazing permits.

4130.6–3 Trailing permits.

4130.6–4 [Reserved]

4130.7 Ownership and identification of livestock.

4130.8 Fees.

4130.8–1 Payment of fees.

4130.8–2 Refunds.

4130.8–3 Service charge.

4130.9 Pledge of permits as security for loans.

Subpart 4140—Prohibited Acts

Sec.

4140.1 Acts prohibited on public lands.

Subpart 4150—Unauthorized Grazing Use

Sec.

- 4150.1 Violations.
- 4150.2 Notice and order to remove.
- 4150.3 Settlement.
- 4150.4 Impoundment and disposal.
- 4150.4–1 Notice of intent to impound.
- 4150.4–2 Impoundment.
- 4150.4–3 Notice of public sale.
- 4150.4–4 Redemption.
- 4150.4–5 Sale.

Subpart 4160—Administrative Remedies

Sec.

- 4160.1 Proposed decisions.
- 4160.2 Protests.
- 4160.3 Final decisions.
- 4160.4 Appeals

Subpart 4170—Penalties

Sec.

- 4170.1 Civil penalties.
- 4170.1–1 Penalty for violations.
- 4170.1–2 Failure to use.
- 4170.2 Penal provisions.
- 4170.2–1 Penal provisions under the Taylor Grazing Act.
- 4170.2–2 Penal provisions under the Federal Land Policy and Management Act.

Subpart 4180—[Reserved]

Subpart 4190—Effect of Wildfire Management Decisions

Sec.

4190.1 Effect of wildfire management decisions.

Authority: 43 U.S.C. 315, 315a–315r, 1181d, and 1740.

PART 4100—GRAZING ADMINISTRATION—EXCLUSIVE OF ALASKA

Subpart 4100—Grazing Administration—Exclusive of Alaska; General

§ 4100.0–1 Purpose.

The purpose is to provide uniform guidance for administration of grazing on the public lands exclusive of Alaska.

§ 4100.0–2 Objectives.

The objectives of these regulations are to promote healthy sustainable rangeland ecosystems; to promote the orderly use, improvement and development of the public lands; to establish efficient and effective administration of grazing of public rangelands; and to provide for the sustainability of the western livestock industry and communities that are dependent upon productive, healthy public rangelands. These objectives shall be realized in a manner consistent with land use plans, multiple use, sustained yield, environmental values, and economic and other objectives set by relevant law and policy.

§ 4100.0–3 Authority.

(a) The Taylor Grazing Act of June 28, 1934 as amended (43 U.S.C. 315 *et seq.*);

(b) The Federal Land Policy and Management Act of 1976 (43 U.S.C. 1701 *et seq.*) as amended by the Public Rangelands Improvement Act of 1978 (PL 95–514) and the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (PL 113–291);

(c) Executive orders that transfer land acquired under the Bankhead-Jones Farm Tenant Act of July 22, 1937, as amended (7 U.S.C. 1012), to the Secretary and authorize administration under the Taylor Grazing Act.

(d) Section 4 of the Oregon and California Railroad Act of August 28, 1937 (43 U.S.C. 2601 *et seq.*);

(e) The Public Rangelands Improvement Act of 1978 (43 U.S.C. 1901 *et seq.*); and

(f) Public land orders, Executive orders, and agreements that authorize the Secretary to administer livestock grazing on specified lands and in grazing districts under the Taylor Grazing Act or other authority as specified.

§ 4100.0–5 Definitions.

Whenever used in this part, unless the context otherwise requires, the following definitions apply:

The *Act* means the Taylor Grazing Act of June 28, 1934, as amended (43 U.S.C. 315, 315a–315r).

Active use means that portion of the permitted use within an allotment that is:

- (1) Available for livestock grazing use under a permit;
- (2) Not approved for temporary nonuse under § 4130.4 of this part; and
- (3) Not in suspension.

Activity plan means a plan for managing a resource use or value to achieve specific objectives. For example, an allotment management plan

is an activity plan for managing livestock grazing use to improve or maintain rangeland conditions.

Actual use means where, how many, what kind or class of livestock, and how long livestock graze on an allotment, or on a portion or pasture of an allotment.

Actual use report means a report of the actual livestock grazing use submitted by the permittee.

Affiliate means an entity or person that controls, is controlled by, or is under common control with, an applicant or permittee. The term “control” means having any relationship which gives an entity or person authority directly or indirectly to determine the manner in which an applicant or permittee conducts grazing operations.

Allotment means an area of land designated and managed for grazing of livestock.

Allotment management plan (AMP) means a documented program developed as an activity plan, consistent with the definition at 43 U.S.C. 1702(k), or its functional equivalent, such as a grazing management plan that incorporates flexibility, monitoring and objectives or other components and that focuses on, and contains the necessary instructions for, the management of livestock grazing on specified public lands to meet resource condition, sustained yield, multiple use, economic and other objectives.

Animal unit month (AUM) means a month’s use and occupancy of range by one (1) cow, bull, steer, heifer, bison, horse (ancillary to livestock production), burro, or mule, or by five (5) sheep or goats.

Annual rangelands means those areas identified in the land use plan, activity plan, or decision of the authorized officer in which livestock forage production is primarily attributable to annual plants and varies greatly from year to year.

Authorized officer means any person authorized by the Secretary to administer regulations in this part.

Base property means: (1) Land that contains livestock operation facilities capable of serving as a base of operations for the livestock use of public lands, (2) land that has the capability to produce crops or forage that can be used to support authorized livestock for a specified period of the year, or (3) water that is suitable for consumption by livestock and is available and accessible, to the authorized livestock when the public lands are used for livestock grazing.

Beginning rancher (mentee) means anyone who has not (1) owned, controlled, or operated a farm or ranch

for a period of more than 10 years or (2) previously held a grazing permit, and may include, without limitation, children and grandchildren of grazing permittees.

Canceled or cancellation means a permanent termination of a grazing permit and grazing preference or other grazing authorization, in whole or in part.

Carrying capacity means the measurement of how much forage is available on a unit of land.

Class of livestock means ages and/or sex groups of a kind of livestock.

Consultation, cooperation, and coordination means interaction for the purpose of obtaining advice, or exchanging opinions on issues, plans, or management actions.

Control means being responsible for and providing care and management of base property and/or livestock.

District means the specific area of public lands administered by a District Manager.

Ephemeral rangelands means areas of the Hot Desert Biome (Region) that typically have very low carrying capacity, yet can produce short-lived, abundant forage in response to favorable climatic conditions. Ephemeral rangelands do not produce sufficient forage to allocate for livestock grazing on a sustained yield basis, yet may periodically produce forage suitable for livestock grazing for short periods of time.

Grazing district means the specific area within which the public lands are administered under section 3 of the Act. Public lands outside grazing district boundaries are administered under section 15 of the Act.

Grazing fee year means the year used for billing purposes, which begins on March 1, of a given year and ends on the last day of February of the following year.

Grazing authorization means any document that authorizes grazing use on BLM-administered lands. Such documents include grazing permits (including both permits issued under section 3 of the Act and leases issued under section 15 of the Act), trailing permits, and exchange-of-use grazing agreements.

Grazing permit means a document that authorizes grazing use of the public lands under section 3 or section 15 of the Act. A grazing permit specifies permitted use and the terms and conditions under which permittees make grazing use during the term of the permit. Permits should specify total AUMs, including active and suspended AUMs.

Grazing preference or preference means a superior or priority position against others for the purpose of receiving or renewing a grazing permit. This priority is attached to base property owned or controlled by the permittee.

Interested public means an individual, group or organization that has an interest in the management of livestock grazing on a particular allotment and has either submitted a written request to the authorized officer to be provided an opportunity to be involved in the decision-making process for the management of livestock grazing on that allotment or has submitted written comments to the authorized officer regarding the management of livestock grazing on that allotment.

Land use plan means a resource management plan, developed under the provisions of 43 CFR part 1600, or a management framework plan. These plans are developed through public participation in accordance with the provisions of the Federal Land Policy and Management Act of 1976 (43 U.S.C 1701 *et seq.*) and establish management direction for resource uses of public lands.

Monitoring means the observation and orderly collection of data over an appropriate time period to evaluate:

- (1) Effects of management actions; and
- (2) Effectiveness of actions in meeting management objectives such as land health.

Permitted use means the forage allocated for grazing by production-oriented livestock in an allotment under a permit and is expressed in AUMs. Permitted use includes active use and suspended use AUMs.

Prescribed grazing means the controlled harvest of vegetation with grazing or browsing animals with the intent to achieve specific ecological, economic, and management objectives. Targeted grazing is a form of prescribed grazing.

Production-oriented livestock means animals when they are being used as part of an operation to provide output for various purposes, such as meat, milk, fiber, or other products and any animals when they are being used to assist with management of other animals in connection with such operations (e.g., horses that are used to assist with cattle management).

Public lands means any land and interest in land outside of Alaska owned by the United States and administered by the Secretary of the Interior through the Bureau of Land Management, except lands held for the benefit of Indians.

Range improvement means an authorized physical modification or

treatment which is designed to improve production of forage; change vegetation composition; control patterns of use; provide water; stabilize soil and water conditions; or restore, protect and improve the health of rangeland ecosystems to benefit production-oriented livestock, wild horses and burros, and fish and wildlife. The term includes, but is not limited to, structures, treatment projects (i.e., prescribed fire), and use of mechanical devices or modifications achieved through mechanical means (i.e., interseeding, pitting).

Secretary means the Secretary of the Interior or his or her authorized officer.

Service area means the area that can be properly grazed by livestock watering at a certain water base property.

State Director means the State Director, Bureau of Land Management, or his or her authorized representative, of a specific state.

Stocking rate means the number of specific kinds and classes of animals grazing land over a specific time period per acre. Stocking rate is usually expressed in AUMs/acre.

Supplemental feed means a feed or nutritional supplement which augments the forage available from the public lands and is provided to improve livestock nutrition or rangeland management.

Suspension or suspended use means the temporary withholding from active use, through a decision issued by the authorized officer or by agreement, of part or all of the permitted use specified in a grazing permit until specified objectives or actions have been met.

Sustained yield means the achievement and maintenance in perpetuity of a high-level annual or regular periodic output of the various renewable resources of the public lands consistent with multiple use.

Targeted grazing means using livestock as a tool to create strategic linear fuel breaks, to reduce fine fuel height and fuel loading, and to maintain fine fuels reduction for a specified period under § 4190.1(a)(1) of this part, or to address other resource issues such as control of undesirable plant species.

Temporary nonrenewable or TNR means a type of grazing authorization that authorizes additional forage temporarily available for livestock grazing. Examples where a TNR authorization may be issued include: (1) in a vacant allotment without a current grazing authorization where forage is temporarily available; (2) in an allotment with a current grazing authorization where additional forage is temporarily available above active use; (3) in an allotment with a current

grazing authorization where forage is available as result of temporary nonuse. In all circumstances the current permittee, if any, will be consulted before use by an additional permittee is authorized.

Temporary nonuse means that portion of active use that the authorized officer authorizes to not be used temporarily, in response to an application made by the permittee.

Terms and conditions means requirements described in § 4130.3–1 and § 4130.3–2, which are included in a grazing authorization. All terms and conditions must be followed.

Trend means the measurable direction of change over time, either toward or away from desired management objectives.

Unauthorized leasing and subleasing means—

(1) The lease or sublease of a Federal grazing permit, associated with the lease or sublease of base property, to another party without a required transfer approved by the authorized officer;

(2) The lease or sublease of a Federal grazing permit to another party without the assignment of the associated base property;

(3) Allowing another party, other than sons, daughters, and grandchildren of the grazing permittee or beginning ranchers meeting the requirements of § 4130.7(f), to graze on public lands livestock that are not owned or controlled by the permittee; or

(4) Allowing another party, other than sons, daughters, and grandchildren of the grazing permittee or beginning ranchers meeting the requirements of § 4130.7(f), to graze livestock on public lands under a pasturing agreement without the approval of the authorized officer.

Utilization means the portion of the current year's growth that has been removed during a specified period. The term is also used to refer to the pattern of such use. See Technical Reference 1734–3 or subsequent updates.

§ 4100.0–7 Cross reference.

The regulations at part 1600 of this chapter govern the development of land use plans; the regulations at part 1700 of this chapter govern land health; the regulations at part 1780, subpart 1784 of this chapter govern advisory committees; and the regulations at subparts B and E of part 4 of this title govern appeals and hearings.

§ 4100.0–8 Land use plans.

The authorized officer shall manage production-oriented livestock grazing on public lands under the principles of multiple use and sustained yield, and in

accordance with applicable land use plans and statutory authority. Land use plans shall establish allowable resource uses (either singly or in combination), areas of use, and resource condition goals and objectives to be obtained. The plans also set forth program constraints and general management practices needed to achieve management objectives. Livestock grazing activities and management actions approved by the authorized officer shall be in conformance with the land use plan as defined at 43 CFR 1601.0–5(b).

§ 4100.0–9 Information collection.

The information collection requirements contained in Group 4100 have been approved by the Office of Management and Budget under 44 U.S.C. 3501 *et seq.* The information is collected to enable the authorized officer to determine whether to approve an application to utilize public lands for grazing.

Subpart 4110—Qualifications and Preference

§ 4110.1 Mandatory qualifications.

(a) Except as provided under §§ 4110.1–1, 4130.2(d)(4)(a), and 4130.6–3, to qualify for grazing use on the public lands an applicant must own or control land or water base property, be engaged in a production-oriented livestock business, and be:

(1) A citizen of the United States or have properly filed a valid declaration of intention to become a citizen or a valid petition for naturalization who has reached the age at which they are legally considered an adult (age of majority); or

(2) A group or association authorized to conduct business in the State in which the grazing use is sought, all members of which are qualified under paragraph (a) of this section; or

(3) A corporation authorized to conduct business in the State in which the grazing use is sought.

(b) The authorized officer must determine whether applicants for the renewal of permits or issuance of permits that authorize use of new or transferred preference, and any affiliates, have a satisfactory record of performance. The authorized officer will not renew or issue a permit unless the applicant and all affiliates have a satisfactory record of performance and meet the requirements in § 4110.1(a).

(1) Renewal of permit.

(i) The authorized officer will find the applicant for renewal of a grazing permit, and any affiliate, to have a satisfactory record of performance if the authorized officer determines the applicant and affiliates to be in

substantial compliance with the terms and conditions of the existing Federal grazing permit for which renewal is sought, and with the rules and regulations applicable to the permit.

(ii) The authorized officer may take into consideration circumstances beyond the control of the applicant or affiliate in determining whether the applicant and affiliates are in substantial compliance with permit terms and conditions and applicable rules and regulations.

(2) New permit. Applicants for new permits, and any affiliates, shall be deemed not to have a record of satisfactory performance when—

(i) The applicant or affiliate has had any Federal grazing permit cancelled for violation of the permit within the 36 calendar months immediately preceding the date of application; or

(ii) The applicant or affiliate has had any State grazing permit, for lands within the grazing allotment for which a Federal permit is sought, cancelled for violation of the permit within the 36 calendar months immediately preceding the date of application; or

(iii) The applicant or affiliate is barred from holding a Federal grazing permit by order of a court of competent jurisdiction.

(c) In determining whether affiliation exists, the authorized officer shall consider all appropriate factors, including, but not limited to, common ownership, common management, identity of interests among family members, and contractual relationships.

(d) Applicants shall submit an application and any other relevant information requested by the authorized officer in order to determine that all qualifications have been met.

§ 4110.1–1 Acquired lands.

Where lands have been acquired by the Bureau of Land Management through purchase, exchange, Act of Congress or Executive Order, and an agreement or the terms of the act or Executive Order provide that the Bureau of Land Management shall honor existing grazing authorizations, such authorizations are governed by the terms and conditions in effect at the time of acquisition by the Bureau of Land Management, and are not subject to the requirements of § 4110.1.

§ 4110.2 Grazing preference.

§ 4110.2–1 Base property.

(a) The authorized officer shall find land or water owned or controlled by an applicant to be base property (see § 4100.0–5) if:

(1) It is capable of serving as a base of operation for livestock use of public lands within a grazing district; or

(2) It is contiguous land, or, when no applicant owns or controls contiguous land, noncontiguous land that is capable of being used in conjunction with a livestock operation which would utilize public lands outside a grazing district.

(b) An applicant shall provide a legal description, or plat, of the base property and shall certify to the authorized officer that this base property meets the requirements under paragraph (a) of this section. A permittee's interest in water previously recognized as base property on public land shall be deemed sufficient in meeting the requirement that the applicant control base property. Where such waters become unusable and are replaced by newly constructed or reconstructed water developments that are the subject of a range improvement permit or cooperative range improvement agreement, the permittee's interest in the replacement water shall be deemed sufficient in meeting the requirement that the applicant control base property.

(c) If a permittee loses ownership or control of all or part of his/her base property, the permit, to the extent it was based upon such lost property, shall terminate immediately without further notice from the authorized officer. However, if, prior to losing ownership or control of the base property, the permittee requests, in writing, that the permit be extended to the end of the grazing season or grazing year, the termination date may be extended as determined by the authorized officer after consultation with the new owner. When a permit terminates because of a loss of ownership or control of a base property, the grazing preference shall remain with the base property and be available through application and transfer procedures at 43 CFR 4110.2–3, to the new owner or person in control of that base property.

(d) Applicants who own or control base property contiguous to or cornering upon public land outside a grazing district where such public land consists of an isolated or disconnected tract embracing 760 acres or less shall, for a period of 90 days after the tract has been offered for lease under section 15 of the Act, have a preference right to lease the whole tract under section 15 of the Act.

§ 4110.2–2 Specifying permitted use.

(a) All grazing permits will specify permitted use where the authorized officer authorizes grazing by production-oriented livestock based upon forage availability, except for permits for identified ephemeral or

annual rangelands. Permitted use includes active use and any suspended use. Active use will be based upon the amount of forage available for livestock grazing as established in the land use plan, activity plan, or subsequent decision of the authorized officer under § 4110.3–3 and may be expressed as a limit. Permitted use is granted to holders of grazing preference and shall be specified in all grazing permits.

(b) The specified permitted use shall attach to the base property supporting the grazing permit based on:

(1) The relative acreage of land base property controlled by the permittee, or

(2) The amount of livestock forage production within the service area of water base property.

§ 4110.2–3 Transfer of grazing preference.

(a) Transfers of grazing preference in whole or in part are subject to the following requirements:

(1) The transferee shall meet all qualifications and requirements of §§ 4110.1, 4110.2–1, 4110.2–2 and 4130.1–1.

(2) The transfer applications under paragraphs (b) and (c) of this section shall evidence assignment of interest and obligation in range improvements authorized on public lands under § 4120.3 and maintained in conjunction with the transferred preference (see § 4120.3–5). The terms and conditions of the cooperative range improvement agreements and range improvement permits are binding on the transferee.

(3) The transferee shall accept the terms and conditions of the terminating grazing permit (see § 4130.2) with such modifications as he or she may request which are approved by the authorized officer or with such modifications as may be required by the authorized officer.

(4) The transferee shall file an application for a grazing permit to the extent of the transferred preference simultaneously with filing a transfer application under paragraph (b) or (c) of this section.

(b) If base property is sold or leased, the transferee shall within 90 days of the date of sale or lease file with the authorized officer a properly executed transfer application showing the base property to which the grazing preference is attached and identifying the permitted use being transferred.

(c) If a grazing preference is being transferred from one base property to another base property, the transferor shall own or control the base property from which the grazing preference is being transferred and file with the authorized officer a properly completed transfer application for approval. No

transfer will be allowed without the written consent of the owner(s), and any person or entity holding an encumbrance of the base property from which the transfer is to be made.

(d) At the date of approval of a transfer, the existing grazing permit shall terminate automatically and without notice to the extent of the transfer unless covered under § 4110.2–1(c).

(e) If an unqualified transferee acquires rights in base property through operation of law or testamentary disposition, such transfer will not affect the grazing preference or any outstanding grazing permit, or preclude the issuance or renewal of a grazing permit based on such property for a period of 2 years after the transfer. However, such a transferee shall qualify under paragraph (a) of this section within the 2-year period or the grazing preference shall be subject to cancellation. The authorized officer may grant extensions of the 2-year period where there are delays solely attributable to probate proceedings.

(f) Transfers shall be for a minimum of 5 years unless a shorter term is determined by the authorized officer to be consistent with management and resource condition objectives.

(g) Failure of either the transferee or the transferor to comply with the regulations of this section may result in rejection of the transfer application or cancellation of grazing preference.

(h) Issuance of a grazing permit with the same terms and conditions for the remaining length of time of the permit due to a preference transfer, when the only change is the name on the authorization, is not subject to the provisions of subpart 4160.

(i) Following a preference transfer, the authorized officer may:

(1) *Rely on expiring permit*—Issue to the transferee a grazing permit with the same terms and conditions as the transferor's terminated permit for the remaining term of that permit. When the authorized officer issues a permit under this paragraph (1), it is presumed that the officer may, to the extent appropriate and consistent with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321 *et seq.*), make a determination of NEPA adequacy in support of the permit decision.

(2) *Issue a new permit*—Issue to the transferee a grazing permit with appropriate terms and conditions for a term not to exceed 10 years. When the authorized officer issues a permit under this paragraph (2), the authorized officer should rely on previous documentation

of NEPA compliance to the extent appropriate and consistent with NEPA.

(3) *Continue expiring permit under 43 U.S.C. 1752(c)(2)*—Continue under a new permit the terms and conditions of the transferor's terminated permit until such time as any environmental analysis required under NEPA or other applicable laws is completed.

§ 4110.2–4 Allotments.

After consultation, cooperation, and coordination with the affected grazing permittees and the state having lands or responsibility for managing resources within the area, the authorized officer may designate and adjust grazing allotment boundaries. The authorized officer may combine or divide allotments, through an agreement or by decision, when necessary for the proper and efficient management of public rangelands.

§ 4110.3 Changes in permitted use.

(a) The authorized officer shall periodically review the permitted use specified in a grazing permit and shall make changes in the permitted use as needed to:

(1) Manage, maintain or improve rangeland health or productivity;

(2) Assist, if necessary, in making progress toward restoring riparian ecosystems to properly functioning conditions; or

(3) Conform with land use plans or activity plans.

(b) The authorized officer will support these changes with site-specific analysis from monitoring, documented field observations, ecological site inventory or other data acceptable to the authorized officer.

§ 4110.3–1 Increasing active use.

Additional forage for grazing by production-oriented livestock may be apportioned to applicants found to be qualified under subparts 4110 and 4130 of this part consistent with multiple-use management objectives.

(a) Additional forage temporarily available for grazing by production-oriented livestock may be apportioned on a nonrenewable basis.

(b) Additional forage available on a sustained yield basis for grazing by production-oriented livestock shall first be apportioned in satisfaction of suspended permitted use to the permittee(s) authorized to graze in the allotment in which the forage is available.

(c) Additional forage will be apportioned to qualified applicants for grazing by production-oriented livestock consistent with multiple-use objectives.

(d) The authorized officer may apportion additional forage on a

sustained yield basis as available for grazing by production-oriented livestock, or extend the season of use, or both in an allotment after consultation, cooperation, and coordination with the affected permittees and the state having lands or managing resources within the area; provided the permittee or other applicant is found to be qualified under subparts 4110 and 4130 of this part.

(e) Additional forage shall be apportioned in the following priority:

(1) Permittee(s) in proportion to the amount of their permitted use, including reinstatement of suspended AUMs; and

(2) Other qualified applicants under § 4130.1–2 of this part.

§ 4110.3–2 Decreasing active use.

(a) Active use may be suspended in whole or in part on a temporary basis due to drought, fire, or other natural causes, or to facilitate installation, maintenance, or modification of range improvements.

(b) The authorized officer will reduce active use through suspension or otherwise modify management practices when the site-specific analysis described in § 4110.3(b) shows active grazing use is causing an unacceptable level or pattern of utilization, or when use exceeds the carrying capacity as determined through accepted monitoring methods.

(c) Where active use is reduced under paragraphs (a) and (b) of this section it will be held in suspension until the permittee applies for active use to resume, and the authorized officer approves that application.

§ 4110.3–3 Implementing changes in active use.

(a) After consultation, cooperation, and coordination with the affected permittee and the state having lands or managing resources within the area, the authorized officer will implement changes in active use through a documented agreement or by decision.

(1) Decisions implementing § 4110.3–2 shall be issued pursuant to § 4160.1, except as provided in paragraphs (a)(2) and (b) of this section.

(2) After consultation, cooperation, and coordination with affected permittees and the state having lands or responsible for managing resources within the area, the authorized officer will close allotments or portions of allotments to grazing by any kind of livestock or modify authorized grazing use notwithstanding the other provisions of this paragraph (a) when the authorized officer determines and documents that an emergency exists and—

(i) The soil, vegetation, or other resources on the public lands require immediate protection because of conditions such as drought, fire, flood, or insect infestation; or

(ii) Continued production-oriented livestock grazing use poses an imminent likelihood of significant resource damage.

(b) Notices of emergency closure and decisions requiring modification of authorized grazing use may be effective upon issuance or on a date specified in the decision. Notwithstanding section 4160.3(c), such decisions will remain in full force and effect pending the decision on appeal unless the Office of Hearings and Appeals grants a stay in accordance with part 4 of this title.

§ 4110.4 Changes in public land acreage.

§ 4110.4–1 Additional land acreage.

When lands outside designated allotments become available for livestock grazing under the administration of the Bureau of Land Management, the forage available for livestock shall be made available to qualified applicants at the discretion of the authorized officer. Grazing use shall be apportioned under § 4130.1–2 of this title.

§ 4110.4–2 Decrease in land acreage.

(a) Where there is a decrease in public land acreage available for livestock grazing within an allotment:

(1) Grazing permits may be canceled or modified as appropriate to reflect the changed area of use.

(2) Permitted use may be canceled in whole or in part. Cancellations determined by the authorized officer to be necessary to protect the public lands will be apportioned by the authorized officer based upon the level of available forage and the magnitude of the change in public land acreage available, or as agreed to among the authorized users and the authorized officer.

(b) When public lands are disposed of or devoted to a public purpose which precludes livestock grazing, the permittees shall be given 2 years' prior notification except in cases of emergency (national defense requirements in time of war, natural disasters, national emergency needs, etc.) before their grazing permit and grazing preference may be canceled. A permittee may unconditionally waive the 2-year prior notification. Such a waiver shall not prejudice the permittee's right to reasonable compensation for, but not to exceed the fair market value of, his or her interest in authorized permanent range improvements located on these public lands (see § 4120.3–6).

§ 4110.5 Interest of Member of Congress.

Title 18 U.S.C. 431 through 433 (1970) generally prohibits a Member of or Delegate to Congress from entering into any contract or agreement with the United States. Title 41 U.S.C. 22 (1970) generally provides that in every contract or agreement to be made or entered into, or accepted by or on behalf of the United States, there shall be inserted an express condition that no Member of or Delegate to Congress shall be admitted to any share or part of such contract or agreement, or to any benefit to arise thereupon. The provisions of these laws are incorporated herein by reference and apply to all permits and agreements issued under these regulations.

Subpart 4120—Grazing Management

§ 4120.1 [Reserved]

§ 4120.2 Allotment management plans.

All permits may incorporate an allotment management plan for managing livestock grazing. Allotment management plans or other activity plans intended to serve as the functional equivalent of allotment management plans may be developed by permittees, other Federal or state resource management agencies, and the Bureau of Land Management. When such plans affecting the administration of grazing allotments are developed, the following provisions apply:

(a) An allotment management plan or other activity plans intended to serve as the functional equivalent of allotment management plans shall be prepared in careful and considered consultation, cooperation, and coordination with affected permittees, landowners involved, and any state having lands or responsible for managing resources within the area to be covered by such a plan. The plan shall become effective upon approval by the authorized officer after complying with applicable laws and the provisions of subpart 4160 of this part. The plans shall—

(1) Include terms and conditions under §§ 4130.3, 4130.3–1, 4130.3–2, and 4130.3–3;

(2) Prescribe the livestock grazing practices necessary to meet specific resource objectives defined in the allotment management plan and applicable standards developed under part 1700 of this title; and

(3) Specify the limits of flexibility, to be determined and granted on the basis of the operator's or operators' demonstrated stewardship, within which the permittee(s) may adjust operations without prior approval of the authorized officer; and

(4) Include a monitoring plan to evaluate the effectiveness of

management actions in achieving the specific resource objectives of the plan.

(b) Private and state lands may be included in allotment management plans or the functional equivalent of allotment management plans dealing with rangeland management with the consent or at the request of the parties who own or control those lands.

(c) A requirement to conform with completed allotment management plans or other applicable activity plans intended to serve as the functional equivalent of allotment management plans shall be incorporated into the terms and conditions of the grazing permit for the allotment.

(d) Allotment management plans or the functional equivalent of allotment management plans may be revised or terminated by the authorized officer after consultation, cooperation, and coordination with the affected permittees, landowners involved, and any state having lands or responsibility for managing resources within the area to be covered by the plan.

§ 4120.3 Range improvements.

§ 4120.3–1 Conditions for range improvements.

(a) Range improvements shall be installed, used, maintained, and/or modified on the public lands, or removed from these lands, in a manner consistent with multiple-use management.

(b) Prior to installing, using, maintaining, and/or modifying range improvements on the public lands, permittees shall have entered into a cooperative range improvement agreement with the Bureau of Land Management or must have an approved range improvement permit.

(c) The authorized officer, via a written decision, may require a permittee to maintain and/or modify range improvements on the public lands under § 4130.3–2 of this title.

(d) The authorized officer may require, via a written decision, a permittee to install or maintain range improvements on the public lands in an allotment with two or more permittees and/or to meet the terms and conditions of any cooperative range improvement agreement or range improvement permit.

(e) A range improvement permit or cooperative range improvement agreement does not convey to the permittee or cooperator any right, title, or interest in any lands or resources held by the United States.

(f) The authorized officer will review proposed range improvement projects under applicable laws. If the decision

following this review falls under the authority of this part, it will follow the procedures of subpart 4160 of this part.

§ 4120.3–2 Cooperative range improvement agreements.

(a) The Bureau of Land Management may enter into a cooperative range improvement agreement with a person, organization, or other government entity for the installation, use, maintenance, and/or modification of permanent range improvements or rangeland developments to achieve management or resource condition objectives. The cooperative range improvement agreement shall specify how the costs of materials or labor, or both, shall be divided between the United States and cooperator(s) and must identify operation and maintenance responsibility.

(b) Subject to valid existing rights, including water rights permitted or authorized under state law, title to permanent range improvements such as fences, wells, and pipelines where authorization is granted after August 21, 1995 shall be in the name of the United States. The authorization for all new permanent water developments such as spring developments, wells, reservoirs, stock tanks, and pipelines shall be through cooperative range improvement agreements. A permittee's interest in contributed funds, labor, and materials will be documented by the Bureau of Land Management to ensure proper credit for the purposes of §§ 4120.3–5 and 4120.3–6(c).

(c) The United States shall have title to nonstructural range improvements such as seeding, spraying, and chaining.

(d) Range improvement work performed by a cooperator or permittee on the public lands or lands administered by the Bureau of Land Management does not confer the exclusive right to use the improvement or the land affected by the range improvement work.

§ 4120.3–3 Range improvement permits.

(a) Any permittee may apply for a range improvement permit to install, use, maintain, and/or modify removable range improvements that are needed to achieve management objectives for the allotment in which the permit is held. The permittee shall agree to provide full funding for construction, installation, modification, or maintenance. Such range improvement permits are issued at the discretion of the authorized officer.

(b) The permittee may hold the title to authorized removable range improvements used as livestock handling facilities such as corrals, creep

feeders, and loading chutes, and to temporary structural improvements such as troughs for hauled water.

(c) If forage available for livestock is not or will not be used by the permittee who is authorized for the associated active use, the authorized officer may issue temporary nonrenewable grazing permits to other qualified applicants to use it under §§ 4130.6–2 and 4130.4(f), or § 4110.3–1(a). Before issuing a temporary nonrenewable permit, the authorized officer will consult, cooperate, and coordinate with the current permittee as provided in § 4130.6–2. If the authorized officer issues such a temporary nonrenewable permit, the preference permittee must cooperate with the temporary authorized use of forage by another operator.

(1) A permittee shall be reasonably compensated for the use and maintenance of improvements and facilities by the operator who has an authorization for temporary nonrenewable grazing use.

(2) The authorized officer may mediate disputes about reasonable compensation and, following consultation with the parties to the dispute, make a determination concerning the fair and reasonable share of operation and maintenance expenses and compensation for use of authorized improvements and facilities.

(3) Where a settlement cannot be reached, the authorized officer shall issue a temporary, nonrenewable grazing authorization including appropriate terms and conditions and the requirement to compensate the preference permittee for the fair share of operation and maintenance as determined by the authorized officer under subpart 4160 of this part.

§ 4120.3–4 Standards, design and stipulations.

Range improvement permits and cooperative range improvement agreements shall specify the standards, design, construction and maintenance criteria for the range improvements and other additional conditions and stipulations or modifications deemed necessary by the authorized officer.

§ 4120.3–5 Assignment of range improvements.

The authorized officer shall not approve the transfer of a grazing preference under § 4110.2–3 of this title or approve use by the transferee of existing range improvements, unless the transferee has agreed to compensate the transferor for his/her interest in the authorized improvements within the allotment as of the date of the transfer.

§ 4120.3–6 Removal and compensation for loss of range improvements.

(a) Range improvements shall not be removed from the public lands without authorization.

(b) The authorized officer may require permittees to remove range improvements which they own on the public lands if these improvements are no longer helping to achieve land use plan or allotment goals and objectives or if they fail to meet the criteria under § 4120.3–4 of this title.

(c) Whenever a grazing permit is canceled in order to devote the public lands covered by the permit to another public purpose, including disposal, the permittee shall receive from the United States reasonable compensation for the adjusted value of their interest in authorized permanent improvements placed or constructed by the permittee on the public lands covered by the canceled permit. The adjusted value is to be determined by the authorized officer. Compensation shall not exceed the fair market value of the terminated portion of the permittee's interest therein. Where a range improvement is authorized by a range improvement permit, the livestock operator may elect to salvage materials and perform rehabilitation measures rather than be compensated for the adjusted value.

(d) Permittees shall be allowed 180 days from the date of cancellation of a range improvement permit or cooperative range improvement agreement to salvage material owned by them and perform rehabilitation measures necessitated by the removal.

§ 4120.3–7 Contributions.

The authorized officer may accept contributions of labor, material, equipment, or money for administration, protection, and improvement of the public lands necessary to achieve the objectives of this part.

§ 4120.3–8 Range improvement fund.

(a) In addition to range developments accomplished through other resource management funds, authorized range improvements may be secured through the use of the appropriated range improvement fund. One-half of the available funds shall be expended in the State and district from which they were derived. The remaining one-half of the fund shall be allocated, on a priority basis, by the Secretary for on-the-ground rehabilitation, protection and improvement of public rangeland ecosystems.

(b) Funds appropriated for range improvements are to be used for investment in all forms of

improvements that benefit rangeland resources including riparian area rehabilitation, improvement and protection, fish and wildlife habitat improvement or protection, soil and water resource improvement, wild horse and burro habitat management facilities, vegetation improvement and management, and livestock grazing management. The funds may be used for activities associated with on-the-ground improvements including the planning, design, layout, contracting, modification, maintenance for which the Bureau of Land Management is responsible, and monitoring and evaluating the effectiveness of specific range improvement projects.

(c) During the planning of the range development or range improvement programs, the authorized officer shall consult the affected permittees.

§ 4120.3–9 Water rights for the purpose of livestock grazing on public lands.

(a) Any right adjudicated to the United States based on state law to use water on public land for the purpose of livestock watering on public land shall be acquired, perfected, maintained and administered under the substantive and procedural laws of the state within which such land is located. To the extent allowed by the law of the state within which the land is located, any such water right shall be acquired, perfected, maintained, and administered in the name of the United States, including, as necessary, through the use of a joint ownership arrangement, principal/agent relationship, or any other legal arrangement allowed or recognized under state law and in coordination, consultation and cooperation with impacted permittees.

(b) The Bureau of Land Management will not change the purpose of use, place of use, or place of diversion of a water right acquired, perfected, maintained or administered under paragraph (a) of this section except in accordance with state law. The Bureau of Land Management must give a minimum of 30 days' notice to any grazing permittees who utilize the subject water for their livestock before making any such change.

§ 4120.4 Special rules.

(a) When a State Director determines that local conditions require a special rule to achieve improved administration consistent with the objectives of this part, the Director may approve such rules. The rules shall be subject to public review and comment, as appropriate, and upon approval, shall become effective when published in the **Federal Register** as final rules. Special

rules shall be published in a local newspaper and electronically posted to an agency website, if available.

(b) Where the Bureau of Land Management administers the grazing use of other Federal Agency lands, the terms of an appropriate Memorandum of Understanding or Cooperative Agreement shall apply.

§ 4120.5 Cooperation.**§ 4120.5–1 Cooperation in management.**

The authorized officer shall, to the extent appropriate, cooperate with Federal, state, Indian tribal and local governmental entities, institutions, organizations, corporations, associations, and individuals to achieve the objectives of this part.

§ 4120.5–2 Cooperation with state, county, Tribal and Federal agencies and governments.

Insofar as the programs and responsibilities of other agencies and units of government involve grazing upon the public lands and other lands administered by the Bureau of Land Management, or the livestock which graze thereon, the Bureau of Land Management will cooperate, to the extent consistent with applicable laws of the United States, with the involved agencies and government entities. The authorized officer shall cooperate with state, county, and Federal agencies in the administration of laws and regulations relating to livestock, livestock diseases, sanitation, and noxious weeds including—

(a) State cattle and sheep sanitary or brand boards in control of stray and unbranded livestock, to the extent such cooperation does not conflict with the Wild Free-Roaming Horse and Burro Act of 1971 (16 U.S.C. 1331 *et seq.*); and

(b) County or other local weed control districts in analyzing noxious weed problems and developing control programs for areas of the public lands and other lands administered by the Bureau of Land Management.

Subpart 4130—Authorizing Grazing Use**§ 4130.1 Applications.****§ 4130.1–1 Filing applications.**

Applications for grazing permits (active use and nonuse) and other grazing authorizations shall be filed with the authorized officer at the local Bureau of Land Management office having jurisdiction over the public lands involved.

§ 4130.1–2 Conflicting applications.

When more than one qualified applicant applies for livestock grazing

use of the same public lands and/or where additional forage for livestock or additional acreage becomes available, the authorized officer may authorize grazing use of such land or forage on the basis of § 4110.3–1 of this title or any of the following factors:

- (a) Historical use of the public lands (see § 4130.2(e));
- (b) General needs of the applicant's livestock operations;
- (c) The applicant's access to grazing of such public lands;
- (d) Topography;
- (e) Other land use requirements unique to the situation;
- (f) The applicant's demonstrated ability to manage production-oriented livestock to meet resource management objectives; and
- (g) The applicant's and affiliate's history of compliance with the terms and conditions of grazing permits of the Bureau of Land Management and any other Federal or state agency, including any record of suspensions or cancellations of grazing use for violations of terms and conditions of agency grazing rules. Where unresolved violations of terms and conditions of agency grazing rules exist, the applicant may be requested to provide additional information.

§ 4130.2 Grazing permits.

(a) Term grazing permits authorize grazing by production-oriented livestock on the public lands that are designated in land use plans as available for livestock grazing. Permits must specify the permitted use, including active and suspended use. These grazing permits must also specify terms and conditions pursuant to §§ 4130.3, 4130.3–1, and 4130.3–2.

(b) Following the receipt of a complete application, the authorized officer will consult, cooperate and coordinate with affected permittees, and the state having lands or responsibility for managing resources within the area before issuing or renewing grazing permits, except as provided for in the amendments to section 402 of the Federal Land Policy and Management Act by the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (PL 113–291).

(c) Grazing permits convey no right, title, or interest held by the United States in any lands or resources.

(d) The term of grazing permits authorizing grazing by production-oriented livestock on the public lands and other lands under the administration of the Bureau of Land Management shall be 10 years unless—

(1) The land is being considered for disposal;

(2) The land will be devoted to a public purpose which precludes grazing prior to the end of 10 years;

(3) The authorized officer determines that a shorter term is consistent with management and resource condition objectives. If such a determination is made, a base property lease may be approved for not less than the term of the Federal permit. The Federal permit will not exceed the term of a base property lease; or

(4) The authorized officer determines that authorizing a short-term, renewable permit is appropriate under the following circumstances:

(i) The primary objective of authorized grazing use is the management of vegetation to meet resource objectives other than the production of livestock forage, such as prescribed or targeted grazing to manipulate the vegetation composition and structure (*e.g.*, fuel reduction), control undesirable vegetation, or re-establish desired vegetation communities, and such use is in conformance with the requirements of this part; or

(ii) The primary purpose of grazing use by production-oriented livestock is for scientific research or administrative studies.

(e) Permittees holding expiring grazing permits shall be given preference (*i.e.*, first priority) for new permits if:

(1) The lands for which the permit is issued remain available for production-oriented livestock grazing;

(2) The permittee is in compliance with the rules and regulations and the terms and conditions in the permit; and

(3) The permittee accepts the terms and conditions to be included by the authorized officer in the new permit.

(f) The authorized officer will not offer, grant or renew grazing permits when the applicants, including permittees seeking renewal, refuse to accept the proposed terms and conditions of a permit.

(g) Permits may incorporate the percentage of public land livestock use as provided in § 4130.3–2(f).

(h) Provisions explaining how grazing permits or authorizations may be granted for grazing use on state, county or private land leased by the Bureau of Land Management under “The Pierce Act” and located within grazing districts are explained in 43 CFR part 4600.

(i) The Bureau of Land Management will determine the priority and timing for completing each required environmental analysis to support the

renewal of a grazing permit based on (1) the standards for the grazing allotment or permit; and (2) the available funding for the environmental analysis.

§ 4130.3 Terms and conditions.

Livestock grazing permits shall contain terms and conditions determined by the authorized officer to be appropriate to achieve management and resource condition objectives for the public lands and other lands administered by the Bureau of Land Management.

§ 4130.3–1 Mandatory terms and conditions.

(a) In every grazing permit, the authorized officer shall specify the kind and number of livestock, the period(s) of use, the allotment(s) to be used, and the permitted use, in animal unit months. The active use shall not at any time during the specified grazing season exceed the carrying capacity of the allotment as determined from a carrying capacity analysis using approved methodologies.

(b) All permits shall be made subject to cancellation, suspension, or modification for any violation of these regulations or of any term or condition of the permit.

§ 4130.3–2 Other terms and conditions.

The authorized officer may specify in grazing permits other terms and conditions which will assist in achieving management objectives, provide for proper range management or assist in the orderly administration of the public rangelands. These may include but are not limited to:

(a) The class of livestock that will graze on an allotment;

(b) The breed or class of livestock in allotments within which two or more permittees are authorized to graze;

(c) Authorization to use and directions for placement of supplemental feed, including salt or nutritional supplements, for improved livestock and rangeland management on the public lands;

(d) A requirement that permittees operating under a grazing permit submit within 15 days after completing their annual grazing use, or as otherwise specified in the permit, the actual use made;

(e) Provision for livestock grazing temporarily to be delayed, discontinued or modified to allow for the reproduction, establishment, or restoration of vigor of plants, provide for the improvement of riparian areas to achieve proper functioning condition or for the protection of other rangeland resources and values consistent with

objectives of applicable land use plans, or prevent compaction of wet soils, such as where delay of spring turnout is required because of weather conditions or lack of plant growth;

(f) The percentage of public land use determined by the proportion of livestock forage available on public lands within the allotment compared to the total amount available from both public lands and those owned or controlled by the permittee;

(g) A statement disclosing the requirement that permittees shall provide reasonable administrative access across private and leased lands to the Bureau of Land Management for the orderly management of grazing activities within the allotment; and

(h) Specification of the limits of flexibility within which the permittee(s) may adjust operations without prior approval of the authorized officer.

§ 4130.3–3 Modification of permits.

The authorized officer may modify terms and conditions of the permit when the active use or related management practices are not meeting the land use plan, allotment management plan or other activity plan, or management objectives, or are not in conformance with the standards established and maintained under part 1700 of this title. Any such modification will be documented in a written decision prepared under subpart 4160 of this part. Before issuing a decision to modify terms and conditions, but after the receipt of a complete application, where one is required, the authorized officer will consult, cooperate and coordinate with the affected permittees and the state having lands or responsibility for managing resources within the area. To the extent practical, the authorized officer will provide the affected permittees and the state having lands or responsibility for managing resources within the affected area an opportunity to review, comment and give input during the preparation of reports that evaluate monitoring and other data that are used as a basis for making decisions to increase or decrease grazing use, or to change the terms and conditions of a permit.

§ 4130.4 Authorization of temporary changes in grazing use within the terms and conditions of permits, including temporary nonuse.

(a) The authorized officer may approve temporary changes in grazing use within the terms and conditions of the permit not already allowed under authorized flexibility.

(b) For the purposes of this subpart, “temporary changes in grazing use

within the terms and conditions of the permit not already allowed under authorized flexibility” means temporary changes in livestock number, period of use, or both, that would:

(1) Result in temporary nonuse;

(2) Result in forage removal that—

(i) Does not exceed the amount of active use specified in the permit; and
(ii) Occurs not earlier than 21 days before the begin date specified on the permit, and not later than 21 days after the end date specified on the permit, unless otherwise specified in the appropriate allotment management or other approved plan under § 4120.2(a)(3); or

(3) Result in both temporary nonuse under paragraph (b)(1) of this section and forage removal under paragraph (b)(2) of this section.

(c) The authorized officer will consult, cooperate and coordinate with the permittees regarding their applications for changes within the terms and conditions of their permit.

(d) Permittees must apply if they wish—

(1) Not to use all or a part of their active use; or

(2) To use forage previously authorized as temporary nonuse.

(e) Temporary nonuse is authorized only if—

(1) The authorized officer approves it in advance; and

(2) An application is received for each year in which temporary nonuse is desired.

(f) Permittees applying for temporary nonuse must state on their application the reasons supporting nonuse. The authorized officer may authorize nonuse to provide for:

(1) Natural resource conservation, enhancement, or protection, including more rapid progress toward meeting resource condition objectives or attainment of land health standards; or

(2) The business or personal needs of the permittee not to exceed 4 consecutive years.

(g) Under § 4130.6–2, the authorized officer may authorize qualified applicants to graze forage made available as a result of temporary nonuse approved for the reasons described in paragraph (f)(2) of this section. The authorized officer will not authorize anyone to graze forage made available as a result of temporary nonuse approved under paragraph (f)(1) of this section.

(h) Permittees who wish to obtain temporary changes in grazing use within the terms and conditions of their permit must file an application in writing with the Bureau of Land Management on or before the date they wish the change in

grazing use to begin. The authorized officer will assess a service charge under § 4130.8–3 to process applications for changes in grazing use that require the issuance of a replacement or supplemental billing notice.

§ 4130.5 [Reserved]

§ 4130.6 Other grazing authorizations.

Exchange-of-use grazing agreements and trailing permits convey no priority for renewal and cannot be transferred or assigned.

§ 4130.6–1 Exchange-of-use grazing agreements.

(a) An exchange-of-use grazing agreement may be issued to an applicant when the applicant owns or controls lands that are unfenced and intermingled with public lands, but does not hold a permit to graze the same allotment that would be subject to such an agreement.

(b) The Bureau of Land Management may issue an exchange-of-use grazing agreement to an applicant that meets the criteria in paragraph (a) of this section when use under such an agreement will be in harmony with the management objectives for the allotment and will be compatible with the existing livestock operations. The agreements must contain appropriate terms and conditions required under § 4130.3 that ensure the orderly administration of the range, including fair and equitable sharing of the operation and maintenance of range improvements. The term of an exchange-of-use agreement may not exceed the length of the term for any leased lands that are offered in exchange of use.

(c) An exchange-of-use grazing agreement may be issued to authorize use of public lands to the extent of the carrying capacity of the lands offered in exchange of use. No fee shall be charged for this grazing use.

(d) An exchange-of-use agreement does not require the applicant to have grazing preference.

§ 4130.6–2 Nonrenewable grazing permits.

Nonrenewable grazing permits may be issued on an annual basis, as provided in §§ 4110.3–1(a) and 4130.4, to qualified applicants when forage is temporarily available, provided this use is consistent with multiple-use objectives and does not interfere with existing livestock operations on the public lands. The authorized officer shall consult, cooperate and coordinate with affected permittees and the state having lands or responsible for managing resources within the area prior to the issuance of nonrenewable grazing permits.

§ 4130.6–3 Trailing permits.

(a) A trailing permit may be issued by the authorized officer to any applicant showing a need to cross the public land or other land under Bureau of Land Management control, or both, with livestock for proper and lawful purposes. A temporary use authorization for trailing livestock shall contain terms and conditions for the temporary grazing use that will occur as deemed necessary by the authorized officer to achieve the objectives of this part.

(b) Notwithstanding the provisions of § 4.171(a)(1) of this title, when the Bureau of Land Management determines that it is necessary, the authorized officer may make a decision that issues a trailing permit effective immediately or on a date established in the decision. Notwithstanding section 4160.3(c), such decisions will remain in effect pending the decision on appeal unless the Office of Hearings and Appeals grants a stay in accordance with part 4 of this title.

§ 4130.6–4 [Reserved]**§ 4130.7 Ownership and identification of livestock.**

(a) The permittee shall own or control and be responsible for the management of the livestock which graze the public land under a grazing permit.

(b) Authorized users shall comply with the requirements of the state in which the public lands are located relating to branding of livestock, breed, grade, and number of bulls, health and sanitation.

(c) The authorized officer may require counting and/or additional special marking or tagging of the authorized livestock in order to promote the orderly administration of the public lands.

(d) Except as provided in paragraph (f) of this section, where a permittee controls but does not own the livestock which graze the public lands, the agreement that gives the permittee control of the livestock by the permittee shall be filed with the authorized officer and approval received prior to any grazing use. The document shall describe the livestock and livestock numbers, identify the owner of the livestock, contain the terms for the care and management of the livestock, specify the duration of the agreement, and shall be signed by the parties to the agreement.

(e) The brand and other identifying marks on livestock controlled, but not owned, by the permittee shall be filed with the authorized officer.

(f) Livestock owned by sons, daughters and grandchildren of grazing permittees or beginning ranchers may

graze public lands included within the permit when all the following conditions exist:

(1) The sons, daughters, grandchildren, or beginning ranchers are participating in educational or youth programs related to animal husbandry, agribusiness or rangeland management, or are actively involved in the ranching operation and are establishing a livestock herd with the intent of assuming part or all of the ranch operation.

(2) The brands or other markings of livestock that are owned by the sons, daughters, grandchildren, or beginning ranchers are recorded on the relevant permit or grazing application.

(3) Use by livestock owned by sons, daughters, grandchildren, or the beginning ranchers, when considered in addition to use by livestock owned or controlled by the permittee, does not exceed authorized livestock use and is consistent with other terms and conditions of the permit.

§ 4130.8 Fees.**§ 4130.8–1 Payment of fees.**

(a) Grazing fees shall be established annually by the Secretary.

(1) Except as provided in paragraphs (a)(2), (a)(3), and (a)(4) of this section, the calculated fee or grazing fee shall be equal to the \$1.23 base established by the 1966 Western Livestock Grazing Survey multiplied by the result of the Forage Value Index (computed annually from data supplied by the National Agricultural Statistics Service) added to the Combined Index (Beef Cattle Price Index minus the Prices Paid Index) and divided by 100; as follows:

$$CF = \$1.23 \times \frac{FVI + BCPI - PPI}{100}$$

CF = Calculated Fee (grazing fee) is the estimated economic value of livestock grazing, defined by the Congress as fair market value (FMV) of the forage;

\$1.23=The base economic value of grazing on public rangeland established by the 1966 Western Livestock Grazing Survey;

FVI=Forage Value Index means the weighted average estimate of the annual rental charge per head per month for pasturing cattle on private rangelands in the 11 Western States (Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, and California) (computed by the National Agricultural Statistics Service from the June Enumerative Survey) divided by \$3.65 and multiplied by 100; BCPI=Beef Cattle Price Index means the weighted average

annual selling price for beef cattle (excluding calves) in the 11 Western States (Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, and California) for November through October (computed by the National Agricultural Statistics Service divided by \$22.04 per hundred weight and multiplied by 100; and

PPI=Prices Paid Index means the following selected components from the National Agricultural Statistics Service's Annual National Index of Prices Paid by Farmers for Goods and Services adjusted by the weights indicated in parentheses to reflect livestock production costs in the Western States: 1. Fuels and Energy (14.5); 2. Farm and Motor Supplies (12.0); 3. Autos and Trucks (4.5); 4. Tractors and Self-Propelled Machinery (4.5); 5. Other Machinery (12.0); 6. Building and Fencing Materials (14.5); 7. Interest (6.0); 8. Farm Wage Rates (14.0); 9. Farm Services (18.0).

(2) Any annual increase or decrease in the grazing fee for any given year shall be limited to not more than plus or minus 25 percent of the previous year's fee.

(3) The grazing fee for any year shall not be less than \$1.35 per animal unit month.

(4) The grazing fee to be used for authorizations issued under paragraphs (g) or (h) will be equal to the average value of the grazing fee for the 10 years immediately preceding the issuance of the billed grazing permit.

(b) Fees shall be charged for livestock grazing upon or trailing across the public lands and other lands administered by the Bureau of Land Management at a specified rate per animal unit month. No fee shall be charged for trailing use unless livestock will be trailing for more than 24 hours. A trailing permit is still required.

(c) Except as provided in § 4130.5, the full fee shall be charged for each animal unit month of authorized grazing use. For the purposes of calculating the fee, an animal unit month is defined as a month's use and occupancy of range by one (1) cow, bull, steer, heifer, bison, horse, burro, or mule, or by five (5) sheep or goats that is—

(1) Over the age of 6 months at the time of entering the public lands or other lands administered by the Bureau of Land Management;

(2) A weaned animals regardless of age; or

(3) Becoming 12 months of age during the authorized period of use.

(d) The Bureau of Land Management will not charge grazing fees for animals that are less than 6 months of age, at the

time of entering public lands or other lands administered by the Bureau of Land Management, provided that they are the natural progeny of animals upon which fees are paid, and they will not become 12 months of age during the authorized period of use.

(e) In calculating the billing the authorized officer will prorate the grazing fee on a daily basis and will round charges to reflect the nearest whole number of animal unit months.

(f) A surcharge shall be added to the grazing fee billings for authorized grazing of livestock owned by persons other than the permittee except where such use is made by livestock owned by sons, daughters, or grandchildren of permittees or by beginning ranchers as provided in § 4130.7(f). The surcharge for grazing by livestock owned by persons other than the permittee will also not apply when the other person is another permittee being provided relief from drought, fire, or other natural causes, or to facilitate installation, maintenance, or modification of range improvements. The surcharge shall be over and above any other fees that may be charged for using public land forage. Surcharges shall be paid prior to grazing use. The surcharge for authorized pasturing of livestock owned by persons other than the permittee will be equal to 35 percent of the difference between the current year's Federal grazing fee and the prior year's private grazing land lease rate per animal unit month for the appropriate state as determined by the National Agricultural Statistics Service.

(g) Annual grazing fees for a permit authorizing 50 or fewer animal unit months per year will be billed in the aggregate for the full term upon permit issuance, and the total grazing fee is due prior to beginning grazing, in accordance with paragraph (i).

(h) For a permit authorizing more than 50 animal unit months per year, the permittee may elect to be billed in the aggregate for the full term upon permit issuance. In such cases, the total grazing fee is due prior to beginning grazing, in accordance with paragraph (i).

(i) Fees are due on the date specified on the grazing fee bill. Payment will be made prior to grazing use. Grazing use that occurs prior to payment of a bill, except where specified in an allotment management plan or functional equivalent, is unauthorized and may be subject to penalties under subparts 4150 and 4170 of this part. If allotment management plans provide for billing after the grazing season, fees will be based on actual grazing use and will be due within 30 days. Repeated delays in payment of actual use billings or

noncompliance with the terms and conditions of the allotment management plan and permit shall be cause to revoke provisions for after-the-grazing-season billing.

(j) Failure to pay the grazing bill within 15 days of the due date specified in the bill shall result in a late fee assessment of \$25.00 or 10 percent of the grazing bill, whichever is greater, but not to exceed \$250.00. Payment made later than 15 days after the due date shall include the appropriate late fee assessment. Failure to make payment within 30 days may be a violation of § 4140.1(b)(1) and shall result in action by the authorized officer under §§ 4150.1 and 4160.1–2.

§ 4130.8–2 Refunds.

(a) Grazing fees may be refunded where applications for change in grazing use and related refund are filed prior to the period of use for which the refund is requested.

(b) No refunds shall be made for failure to make grazing use, except during periods of range depletion due to drought, fire, or other natural causes, or in case of a general spread of disease among the livestock that occurs during the term of a permit. During these periods of range depletion the authorized officer may credit or refund fees in whole or in part, or postpone fee payment for as long as the emergency exists.

(c) Grazing fees collected for authorizations issued under § 4130.8–1(g) and (h) will be non-refundable.

§ 4130.8–3 Service charge.

The authorized officer will assess a service charge for each trailing permit, transfer of grazing preference, and each replacement or supplemental billing notice except for actions initiated by the authorized officer. Under section 304(a) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1734(a)), the calculation of the BLM service charge will reflect processing costs and will be adjusted periodically as costs change. Notice of changes will be published periodically in the **Federal Register**.

§ 4130.9 Pledge of permits as security for loans.

Grazing permits that have been pledged as security for loans from lending agencies shall be renewed by the authorized officer under the provisions of these regulations for a period of not to exceed 10 years if the loan is for the purpose of furthering the permittee's livestock operation, *Provided*, That the permittee has complied with the rules and regulations

of this part and that such renewal will be in accordance with other applicable laws and regulations. While grazing permits may be pledged as security for loans from lending agencies, this does not exempt these permits from the provisions of these regulations.

Subpart 4140—Prohibited Acts

§ 4140.1 Acts prohibited on public lands.

The following acts are prohibited on public lands and other lands administered by the Bureau of Land Management:

(a) Grazing permittees performing the following prohibited acts may be subject to civil penalties under § 4170.1:

(1) Violating terms and conditions incorporated in permits;

(2) Failing to make substantial grazing use as authorized by a permit for 2 consecutive fee years. This does not include approved temporary nonuse or use temporarily suspended by the authorized officer;

(3) Placing supplemental feed on these lands without authorization or contrary to the terms and conditions of the permit;

(4) Failing to comply with the terms, conditions, and stipulations of cooperative range improvement agreements or range improvement permits;

(5) Refusing to install, maintain, modify, or remove range improvements included on the term grazing permit when so directed in writing by the authorized officer; or

(6) Unauthorized leasing or subleasing as defined in this part.

(b) Persons performing the following prohibited acts on BLM-administered lands related to rangelands shall be subject to civil and criminal penalties set forth at §§ 4170.1 and 4170.2:

(1) Allowing livestock or other privately owned or controlled animals to graze on or be driven across these lands:

(i) Without a permit or other grazing authorization (see § 4130.6) and timely payment of grazing fees and surcharge fees;

(ii) In violation of the terms and conditions of a permit or other grazing use authorization including, but not limited to, livestock in excess of the number authorized;

(iii) In an area or at a time different from that authorized; or

(iv) While failing to comply with a requirement under § 4130.7(c) of this title;

(2) Installing, using, maintaining, modifying, and/or removing range improvements without authorization;

(3) Cutting, burning, spraying, destroying, or removing vegetation without authorization;

(4) Damaging or removing U.S. property without authorization;

(5) Molesting, harassing, injuring, poisoning, or causing death of livestock authorized to graze on these lands and removing authorized livestock without the owner's consent;

(6) Littering;

(7) Interfering with lawful uses or users including obstructing free transit through or over public lands by force, threat, intimidation, signs, barrier or locked gates;

(8) Knowingly or willfully making a false statement or representation in base property certifications, grazing applications, range improvement permit applications, cooperative range improvement agreements, actual use reports and/or amendments thereto;

(9) Failing to pay any fee the authorized officer requires under this part, or making payment for grazing use of public lands with insufficiently funded checks on a repeated and willful basis; or

(10) Failing to reclaim and repair any lands, property, or resources when required by the authorized officer in writing.

(c) Performance of an act listed in paragraphs (c)(1), (c)(2) or (c)(3) of this section where public land administered by the Bureau of Land Management is involved or affected, the violation is related to grazing use authorized by a permit issued by the Bureau of Land Management, and the permittee has been convicted or otherwise found to be in violation of any of these laws or regulations by a court or by final determination of an agency charged with the administration of these laws or regulations, and no further appeals are outstanding, constitutes a prohibited act that may be subject to the civil penalties set forth at § 4170.1–1.

(1) Violation of Federal or state laws or regulations pertaining to the:

(i) Unauthorized placement of poisonous bait or hazardous devices designed for the destruction of wildlife;

(ii) Application or storage of pesticides, herbicides, or other hazardous materials;

(iii) Alteration or destruction of natural stream courses without authorization;

(iv) Pollution of water sources;

(v) Illegal take, destruction or harassment, or aiding and abetting in the illegal take, destruction or harassment of fish and wildlife resources; or

(vi) Illegal removal or destruction of archeological or cultural resources;

(2) Violation of the Bald and Golden Eagle Protection Act (16 U.S.C. 668 *et seq.*), Endangered Species Act (16 U.S.C. 1531 *et seq.*), or any provision of Part 4700 of this chapter concerning the protection and management of wild free-roaming horses and burros; or

(3) Violation of state livestock laws or regulations relating to the branding of livestock; breed, grade, and number of bulls; health and sanitation requirements; or straying of livestock from permitted public land grazing areas onto areas that have been formally closed to open range grazing.

Subpart 4150—Unauthorized Grazing Use

§ 4150.1 Violations.

Violation of § 4140.1(b)(1) constitutes unauthorized grazing use.

(a) The authorized officer shall determine whether a violation is nonwillful, willful, or repeated willful. Whenever it appears that a violation exists, the authorized officer will contact the owner of the livestock, if known. Contact must be documented along with the authorized officer's determination of the nature of the violation. If the owner of the livestock cannot be identified, the authorized officer will proceed under § 4150.2(d).

(b) A nonwillful violation will be considered incidental when the following criteria are met:

(1) evidence shows that the unauthorized use occurred through no fault of the livestock operator;

(2) the forage use is insignificant;

(3) the public lands have not been damaged; and

(4) the livestock operator promptly corrects the violation to the satisfaction of the authorized officer.

(c) Violators shall be liable in damages to the United States for the forage consumed by their livestock, for injury to Federal property caused by their unauthorized grazing use, and for expenses incurred in impoundment and disposal of their livestock, and may be subject to civil penalties or criminal sanction for such unlawful acts.

§ 4150.2 Notice and order to remove.

(a) Whenever a violation has been determined to be nonwillful and incidental, the authorized officer shall notify the alleged violator that the violation must be corrected, and how it can be settled, based upon the discretion of the authorized officer. The authorized officer may notify the alleged violator through informal means.

(b) Whenever a violation has been determined to be nonwillful, but does not meet the criteria to be considered

incidental, written notice of unauthorized use and order to remove livestock by a specified date shall be served upon the alleged violator or the agent of record, or both, by certified mail or personal delivery. The written notice shall also allow a specified time from receipt of notice for the alleged violator to show that there has been no violation or that any violation should be considered incidental, or to make settlement under § 4150.3.

(c) Whenever a violation has been alleged to be willful, written notice of unauthorized use and order to remove livestock by a specified date shall be served upon the alleged violator or the agent of record, or both, by certified mail or personal delivery. The written notice shall also allow a specified time from receipt of notice for the alleged violator to show that there has been no violation, that any violation should be considered nonwillful, or that any violation should be considered nonwillful and incidental, or to make settlement under § 4150.3.

(d) When neither the owner of the unauthorized livestock nor his agent is known, the authorized officer may proceed to impound the livestock under § 4150.4.

(e) The authorized officer may temporarily close areas to grazing by specified kinds or class of livestock for a period not to exceed 12 months when necessary to abate unauthorized grazing use. Such notices of closure may be issued as final decisions effective upon issuance or on the date specified in the decision and, notwithstanding § 4160.3(c), shall remain in effect pending decision on an appeal unless a stay is granted by the Office of Hearings and Appeals in accordance with part 4 of this title.

§ 4150.3 Settlement.

(a) Notwithstanding the remainder of this section, an authorized officer may exempt a nonwillful violation from the settlement requirements of this section if the authorized officer finds that the livestock operator promptly corrected the violation to the satisfaction of the authorized officer.

(b) Where violations are repeated willful, in addition to settlement under this section, the authorized officer shall take action under § 4170.1–1(b) of this title.

(c) The amount due for settlement shall include the value of forage consumed as determined in accordance with paragraph (d), (e), or (f) of this section. Settlement for willful and repeated willful violations shall also include the full value for all damages to the public lands and other property of

the United States; and all reasonable expenses incurred by the United States in detecting, investigating, and resolving violations, and livestock impoundment costs.

(d) For nonwillful violations: The value of forage consumed as determined by the average monthly rate per AUM for pasturing livestock on privately owned land (excluding irrigated land) in each state as published annually by the Department of Agriculture. The authorized officer may approve nonmonetary settlement of unauthorized use only when the authorized officer determines the violation is nonwillful and incidental under § 4150.1(b) and nonmonetary settlement is in the best interest of the United States.

(e) For willful violations: Twice the value of forage consumed as determined in paragraph (d) of this section.

(f) For repeated willful violations: Three times the value of the forage consumed as determined in paragraph (d) of this section.

(g) Payment made under this section does not relieve the alleged violator of any criminal liability under Federal or state law.

(h) Violators shall not be authorized to make grazing use on the public lands administered by the Bureau of Land Management until any amount found to be due the United States under this section has been paid. The authorized officer may take action under subpart 4160 of this title to cancel or suspend grazing authorizations or to deny approval of applications for grazing use until such amounts have been paid. Such decisions shall include a demand for payment.

§ 4150.4 Impoundment and disposal.

Unauthorized livestock remaining on the public lands or other lands under Bureau of Land Management control, or both, after the date set forth in the notice and order to remove sent under § 4150.2 may be impounded and disposed of by the authorized officer as provided herein.

§ 4150.4-1 Notice of intent to impound.

(a) A written notice of intent to impound shall be sent by certified mail or personally delivered to the owner or his or her agent, or both. The written notice shall indicate that unauthorized livestock on the specified public lands or other lands under Bureau of Land Management control, or both, may be impounded any time after 5 days from delivery of the notice.

(b) Where the owner and his or her agent are unknown, or where both a known owner and his or her agent

refuses to accept delivery, a notice of intent to impound shall be published in a local newspaper and posted at the county courthouse and a post office near the public land involved, and electronically posted to an agency website, if available. The notice shall indicate that unauthorized livestock on the specified public lands or other lands under Bureau of Land Management control, or both, may be impounded any time after 5 days from publishing and posting the notice.

§ 4150.4-2 Impoundment.

After 5 days from delivery of the notice under § 4150.4-1(a) of this title or after 5 days from publishing and posting the notice under § 4150.4-1(b) of this title, unauthorized livestock may be impounded without further notice any time within the 12-month period following the effective date of the notice.

§ 4150.4-3 Notice of public sale.

Following the impoundment of livestock under this subpart the livestock may be disposed of by the authorized officer under these regulations or, if a suitable agreement is in effect, they may be turned over to the State for disposal. Any known owners or agents shall be notified in writing by certified mail or by personal delivery of the sale and the procedure by which the impounded livestock may be redeemed prior to the sale.

§ 4150.4-4 Redemption.

Any owner, agent, or lien holder of record of the impounded livestock may redeem them under these regulations or, if a suitable agreement is in effect, in accordance with State law, prior to the time of sale upon settlement with the United States under § 4150.3 or adequate showing that there has been no violation.

§ 4150.4-5 Sale.

If the livestock are not redeemed on or before the date and time fixed for their sale, they shall be offered at public sale to the highest bidder by the authorized officer under these regulations or, if a suitable agreement is in effect, by the State. If a satisfactory bid is not received, the livestock may be reoffered for sale, condemned and destroyed or otherwise disposed of under these regulations, or if a suitable agreement is in effect, in accordance with State Law.

Subpart 4160—Administrative Remedies

§ 4160.1 Proposed decisions.

(a) Proposed decisions shall be posted to an agency website and shall be served on any affected applicant, permittee, and any agent and lien holder of record, who is affected by the proposed actions, terms or conditions, or modifications relating to applications, permits and agreements (including range improvement permits). Acceptable means of service are:

(1) registered or certified mail, return receipt requested;

(2) personal delivery with written acknowledgment of receipt;

(3) delivery service, delivery receipt requested, if the last address of record is not a post office box; or

(4) electronic means, such as electronic mail with delivery receipt requested, if the person to be served has previously consented to that means of service in writing.

(b) Proposed decisions shall state the reasons for the action and shall refer to the pertinent terms, conditions and provisions of applicable regulations. As appropriate, decisions shall state the alleged violations of specific terms and conditions and provisions of these regulations alleged to have been violated, and shall state the amount due under §§ 4130.8 and 4150.3 and the action to be taken under § 4170.1.

(c) The authorized officer may issue a final decision, without first issuing a proposed decision, where the authorized officer is:

(1) Taking action in accordance with §§ 4110.3-3(a)(2)(ii), 4130.6-3, 4150.2(e), or 4170.1-2;

(2) Issuing permits that are 15 percent or less public land or are for 50 or fewer AUMs;

(3) Issuing permits in accordance with § 402(h)(1) of the Federal Land Policy and Management Act (43 U.S.C. 1752(h)(1));

(4) Issuing permits when there are no changes to terms and conditions, there is no interested public, and the permittee is the only party receiving the decision;

(5) Authorizing range improvements when there is no interested public and the permittee is the only party receiving the decision;

(6) Issuing permits in accordance with § 4130.3-2(f) that adjust only the number of livestock to account for a change in the percentage of public land use when ownership or control of unfenced lands within an allotment changes, and make no changes to permitted use or other terms and conditions;

(7) Issuing permits under § 4110.2–3(i)(1) or (3); or

(8) Issuing permits for the remainder of the existing term to reflect changes in allotment names or configuration, or correct the legal description of allotment boundaries, and that do not result in changes to permitted use, or terms and conditions.

§ 4160.2 Protests.

Any applicant, permittee, or other interested public may protest a proposed decision issued under § 4160.1 of this title in person or in writing to the authorized officer within 20 days of the date the proposed decision is issued.

§ 4160.3 Final decisions.

(a) In the absence of a protest, the proposed decision will become the final decision of the authorized officer without further notice unless otherwise provided in the proposed decision.

(b) Upon the timely filing of a protest, the authorized officer shall reconsider her/his proposed decision in light of the protestant's statement of reasons for protest and in light of other information pertinent to the case. A final decision that responds to a protest or otherwise follows a proposed decision or that is issued in lieu of a proposed decision, pursuant to § 4160.1(c), shall be posted and served in the same manner as is provided for proposed decisions in § 4160.1(a).

(c) The final decision shall provide for a period of 30 days after issuance for filing of an appeal. A decision will not be effective during this 30-day period, except that, notwithstanding the provisions of § 4.171(a)(1) of this title pertaining to the period during which a final decision will not be in effect, the authorized officer may provide that the final decision shall be effective upon issuance or on a date established in the decision. An appeal shall suspend the effects of the final decision from which it is taken pending final action on the appeal. Where the appeal is concerned with the grazing use to be granted under the current application, an applicant who was granted grazing use in the preceding year may continue to make that use pending final action on the appeal. However, the authorized officer may provide in the final decision that it shall be in full force and effect pending decision on appeal therefrom unless the Office of Hearings and Appeals grants a stay in accordance with part 4 of this title. Final decisions shall be in full force and effect only if such is required for the protection of range resource values. The authorized officer must explain the rationale for the full force

and effect decision if issued as such. See part 4 of this title for general provisions of the appeal process.

§ 4160.4 Appeals.

Any person whose interest is adversely affected by a final decision of the authorized officer may appeal the decision for the purpose of a hearing before an administrative law judge by following the requirements set out in § 4160.3 and part 4 of this title. The authorized officer shall transmit an appeal, petition for stay, and the accompanying administrative record within 14 days to ensure their timely arrival at the Office of Hearings and Appeals.

Subpart 4170—Penalties

§ 4170.1 Civil penalties.

§ 4170.1–1 Penalty for violations.

(a) The authorized officer may withhold issuance of a grazing permit, or suspend the grazing use authorized under a grazing permit, in whole or in part, or cancel a grazing permit and grazing preference, or other grazing authorization, in whole or in part, under subpart 4160 of this title, for violation by a permittee of any of the provisions of this part.

(b) The authorized officer shall suspend the grazing use authorized under a grazing permit, in whole or in part, or shall cancel a grazing permit and grazing preference, in whole or in part, under subpart 4160 of this title for repeated willful violation by a permittee of § 4140.1(b)(1) of this title.

(c) Whenever a nonpermittee violates § 4140.1(b) of this title and has not made satisfactory settlement under § 4150.3 of this title the authorized officer shall refer the matter to proper authorities for appropriate legal action by the United States against the violator.

(d) Any person found to have violated the provisions of § 4140.1(a)(6) after August 21, 1995, shall be required to pay twice the value of forage consumed as determined by the average monthly rate per AUM for pasturing livestock on privately owned land (excluding irrigated land) in each State as supplied annually by the National Agricultural Statistics Service, and all reasonable expenses incurred by the United States in detecting, investigating, and resolving violations. If the dollar equivalent value is not received by the authorized officer within 30 days of receipt of the final decision, the grazing permit shall be canceled. Such payment shall be in addition to any other penalties the authorized officer may impose under paragraph (a) of this section.

§ 4170.1–2 Failure to use.

If a permittee has, for 2 consecutive grazing fee years, failed to make substantial use as authorized in the permit, subject to any concurrent temporary nonuse approved under § 4130.4 of this part, or has failed to maintain or use water base property in the grazing operation, the authorized officer, after consultation, cooperation, and coordination with the permittee and any lien holder of record, may cancel whatever amount of active use the permittee has failed to use.

§ 4170.2 Penal provisions.

§ 4170.2–1 Penal provisions under the Taylor Grazing Act.

Under section 2 of the Act any person who willfully commits an act prohibited under § 4140.1(b), or who willfully violates approved special rules and regulations is punishable by a fine of not more than \$500.

§ 4170.2–2 Penal provisions under the Federal Land Policy and Management Act.

Under section 303(a) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1733(a)), any person who knowingly and willfully commits an act prohibited under § 4140.1(b) or who knowingly and willfully violates approved special rules and regulations may be brought before a designated U.S. magistrate and is punishable by a fine in accordance with the applicable provisions of Title 18 of the United States Code, or imprisonment for no more than 12 months, or both.

Subpart 4180—[Reserved]

Subpart 4190—Effect of Wildfire Management Decisions

§ 4190.1 Effect of wildfire management decisions.

(a) Notwithstanding the provisions of 43 CFR 4.171(a)(1), when the Bureau of Land Management determines that vegetation, soil, or other resources on the public lands are at substantial risk of wildfire due to drought, fuels buildup, or other reasons, or at immediate risk of erosion or other damage due to wildfire, the Bureau of Land Management may make a rangeland wildfire management decision effective immediately or on a date established in the decision. Wildfire management includes but is not limited to:

(1) Fuel reduction or fuel treatment such as prescribed burns, targeted grazing, and mechanical, chemical, and biological thinning methods (with or without removal of thinned materials); and

(2) Projects to stabilize and
rehabilitate lands affected by wildfire.
(b) The Interior Board of Land
Appeals will issue a decision on the

merits of an appeal of a wildfire
management decision under paragraph

(a) of this section within the time limits
prescribed in 43 CFR 4.416.

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Part XV

The President

Proclamation 11027—Military Spouse Day, 2026

Proclamation 11028—Victory Day for World War II, 2026

Presidential Documents

Title 3—

Proclamation 11027 of May 7, 2026

The President

Military Spouse Day, 2026

By the President of the United States of America

A Proclamation

As we celebrate 250 glorious years of American freedom, we are reminded that this tremendous milestone is only possible thanks to our Armed Forces who, since the dawn of our Republic, pledged to defend our freedom no matter the cost. Generation after generation, the gravity of this sacred commitment has been shared by their selfless spouses. On Military Spouse Day, we honor the incredible women and men who serve this Nation.

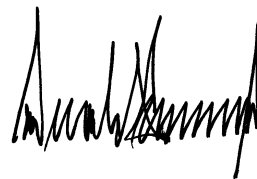
Military spouses are vital to our national defense. Their unwavering support of the home front enables our service members to protect our homeland and defend our liberty. Every day, they balance the unique demands and disruption of a life of service with an uncommon resilience forged by frequent moves, lengthy deployments, and family separation. In spite of the challenges, military spouses persevere not simply because they love their spouses but because they believe in the promise of America.

When duty calls, our military never fails to answer—and we must never fail to support and equip those who stand faithfully beside our warfighters. During my first term, we fulfilled our pledge to improve employment policies for military spouses through expanded opportunities within the Federal Government, enhanced remote and flexible job options, and increased licensure portability. We made great progress, but more work is needed in employment, quality housing, affordable childcare, accessible healthcare, and education. As President, I remain committed to ensuring that our Armed Forces remain the strongest fighting force on Earth—and that our military spouses and families receive the support, care, and opportunities they deserve.

The spouses of our service members share with their loved ones a noble but demanding calling. In times of peace and in the crucible of conflict, they rise to meet every challenge and bear the pressures and sacrifices with relentless grace and fortitude. Today, the First Lady and I join a grateful Nation in saluting these patriots and heroes. May God bless our Armed Forces, our military spouses, and their families.

NOW, THEREFORE, I, DONALD J. TRUMP, President of the United States of America, by virtue of the authority vested in me by the Constitution and the laws of the United States, do hereby proclaim May 8, 2026, as Military Spouse Day.

IN WITNESS WHEREOF, I have hereunto set my hand this seventh day of May, in the year of our Lord two thousand twenty-six, and of the Independence of the United States of America the two hundred and fiftieth.

A handwritten signature in black ink, appearing to be "Donald Trump", located in the lower right quadrant of the page.

Presidential Documents

Proclamation 11028 of May 7, 2026

Victory Day for World War II, 2026

By the President of the United States of America

A Proclamation

As we celebrate Victory Day for World War II — we celebrate America's monumental triumph over tyranny and evil in Europe, led by the might of our Armed Forces and those of our Allies. On May 8, 1945, the iron grip of Nazi Germany shattered, and news of victory swept across our great Nation and the world, marking a decisive turning point in the history of freedom.

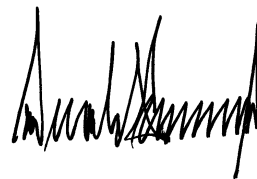
From the legendary storming of the beaches of Normandy to the frigid, hard-fought defense during the Battle of the Bulge, the courage of countless American soldiers carried the Allied cause across the deserts of North Africa and the forests of western Europe until the forces of the Nazi regime collapsed in ruin. Their sacrifice, together with the unwavering resolve of millions of men and women on the home front, drove tyranny to its knees and paved the way for the Allied powers to secure their resounding victory against Imperial Japan nearly 4 months later.

The fight for liberty came at a staggering cost. More than 250,000 Americans laid down their lives in the fight against the Nazi regime. Their heroic sacrifice reminds us that the sacred freedoms we cherish are forged in sacrifice and must be fiercely defended both at home and abroad. Let us remember them, and the millions of innocent souls who endured horrendous atrocities, and lost their lives, at the hands of national socialism.

As we celebrate 250 years of American independence, we carry their legacy forward by ensuring our Armed Forces remain the most dominant in the world, ready to safeguard our sovereignty, to confront any threat, and preserve the flame of liberty they fought so valiantly to defend.

NOW, THEREFORE, I, DONALD J. TRUMP, President of the United States of America, by virtue of the authority vested in me by the Constitution and the laws of the United States, do hereby proclaim May 8, 2026, as a day in celebration of Victory Day for World War II.

IN WITNESS WHEREOF, I have hereunto set my hand this seventh day of May, in the year of our Lord two thousand twenty-six, and of the Independence of the United States of America the two hundred and fiftieth.

A handwritten signature in black ink, appearing to be "Donald Trump", located in the upper right quadrant of the page.

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